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***Results of First Session of CIS Summit Reported**

954E1038A Moscow KOMMERSANT-DAILY 27 May 95 p 3

[Article by Svetlana Sukhova: "A Party for Boris Yeltsin and an Out-of-Tune Choir"]

[FBIS Translated Text] **Boris Yeltsin has summed up the results of yesterday's summit of leaders of the CIS states: "The meeting was very effective—we solved a dozen and a half questions in half a day."**

Concerto Grosso

Only two people—the presidents of Kazakhstan and Turkmenistan—did not honor the high-level meeting with their attention. Their absence, however, did not affect the meeting's daily routine: At 1000—a discussion in the narrow circle of heads of state; at noon—a plenary session in which the prime ministers participated. The summit's agenda was in itself a work of art: For example, in contrast to standard "Group of Seven" summit or Eurasian Union programs which concentrated on one or two painful problems, the Minsk one included all the questions that disturbed the CIS in one way or another. This was not devoid of reason—if even a third of them were resolved, one could speak if not about the forum's breakthrough, at least about its huge success.

Questions on establishing an Intergovernmental Currency Committee and drafts of two conventions—on the rights of the individual and a CIS Interparliamentary Assembly—were on the agenda. In addition, another attempt was made to sign agreements on defending the borders of the CIS and resolving the question of extending the stay of peace-making forces in Tajikistan. Special attention was paid to the agreement on collective security (in particular, the section entitled "On Economic Cooperation"). Besides that, questions concerning the construction of a motor vehicle plant in Yelabug, cooperation in the use of compressed natural gas in transport, and measures to safeguard civil aviation were also discussed yesterday. They also talked about establishing an Intergovernmental Center for Atomic Energy and Mutual Assistance in Eliminating the After-Effects of Radioactive Contamination, a Council for Cultural Cooperation and Cooperation in the Area of Telecommunications, and about the struggle against the mafia.

Opening the session of the heads of state, Yeltsin called for energy in getting things done: Several meeting participants "have pressing affairs in their homeland." Evidently he had in mind the Georgian delegation, which wavered for a long time over the question of whether "to go or not to go." On 19 May the Georgian Ministry of Foreign Affairs had requested that the CIS secretariat postpone the meeting. The reason was the celebration of Independence Day. However, since the question of extending the authority of the Russian peace-makers in Abkhazia and the granting of police functions to them was to be resolved in Minsk, Eduard Shevardnadze decided that it would be simpler to postpone the military parade from 1100 to 1900—and it was postponed.

Russia does not intend to discuss in Minsk only the questions on the agenda. Yesterday, for example, the question of eliminating customhouses was resolved with Belarus. Yeltsin's instructions about abolishing customs control on the Russian-Belarusian border also contains directions for Russia's government to control third countries' transit goods. Yesterday, Yeltsin declared right out: "There is no longer any border between Russia and Belarus." In the future, Moscow and Minsk will move the customhouses to Belarus' external border. True, Yeltsin refused to participate in the ceremony of digging up a symbolic border post, citing his heavy commitments, and entrusted this to Viktor Chernomyrdin.

It is quite possible that the president is using the time saved for a more thorough conversation with Leonid Kuchma. The subject will concern the division of the Black Sea Fleet. The Ukrainian president sent Boris Yeltsin a letter 24 hours before the start of the meeting in Minsk. It contained a proposal to deviate from the already agreed principle of separate basing of the Ukrainian and Russian fleets and restricting the presence of the Black Sea Fleet to Sevastopol (the principles have already been agreed to three times—in Dagomys, Moscow, and Massandra). Moscow understood the Ukrainian initiative as follows: First, the Black Sea Fleet will not have any base or separate installations (including also Sevastopol) and second, Kiev, by demonstrating an independent policy, does not intend to grant any concessions. On the eve of his departure for Minsk, Yeltsin declared almost in the form of an ultimatum: "We will not sign a bilateral base agreement until we have settled the question of the Black Sea Fleet." Yesterday, after the summit, Kuchma revealed to journalists that he had a short discussion with Yeltsin. The Ukrainian president refused to tell them about the content of the conversation, declaring that a serious and thorough discussion with the Russian president is in the future.

Improvisation and Many Voices

Mircea Snegur, president of Moldova, thinks that the agreements projected to be signed at Minsk "will be difficult to implement because our countries, unfortunately, have already managed to cement their borders solidly." In Snegur's words, the implementation of documents already adopted "is in difficulty, especially the

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parts concerning payment and customs cooperation." These questions were discussed in more detail on the eve of the summit at a meeting of the heads of the border troops and Ministries of Foreign Affairs of the CIS countries. In the words of Colonel General Andrey Nikolayev, director of the Federal Border Service, "in light of the expansion of NATO's borders to the East, the protection of CIS borders is acquiring special importance for all Commonwealth countries." However, the formula for a single border security system is applicable only to countries that are prepared for integration. In Nikolayev's opinion, Russia, Belarus, Kazakhstan, and Kyrgyzstan are related to them. Armenia, Georgia, Uzbekistan, and Turkmenistan are questionable. In the opinion of the heads of the border troops in the Commonwealth countries, the chances for signing the document are extremely great: Of the 12 CIS countries, the five that did not sign the agreement yesterday about protecting CIS countries were Ukraine, Azerbaijan, Moldova, Uzbekistan, and Turkmenistan. The main reasons for their refusal were territorial disputes (over hot spots) and the still existing sovereignty syndrome within the ex-USSR republics.

There are just as many problems with respect to customs borders. In the words of Yuriy Kravchenko, head of Ukraine's customs committee, the Ukrainian delegation does not plan to announce during the summit that it will join the CIS customs union. The reason for this is the absence of economic and political parity among the participant countries. In Kravchenko's words, all should possess equal rights "just as in Europe where there are no dictating conditions and their implementors." Yeltsin believes the reason for the refusal by a number of countries to sign the agreement on borders lies in the fact that the document is not ready.

The problem of border security is inseparably linked with another one that was discussed yesterday in Minsk—settlement of military conflicts. A delegation from the Tajik opposition was absent at the summit; however, its appeal, which Akbar Turadzhonzoda, the leader of the Islamists, conveyed the night before to Askar Akayev, president of Kyrgyzstan, was considered. In particular, it contained a call to the leaders of the Central Asian states to promote an inter-Tajik settlement. Akayev, in turn, had discussed with his Asian neighbors even before the start of the session how this question should be raised at the summit. However, the voice of those concerned about peace in Tajikistan was not heard because of the quarrels between Azerbaijan and Armenia. Baku preferred its favorite tactic: Concentrate the attention of those assembled on the problem of "rejecting Armenian participation in settling the Karabakh conflict." Hasan Hasanov, head of the republic's Ministry of Foreign Affairs, declared that the "CIS heads should know that in the person of Armenia they are dealing with an unreliable and insincere political system and insincere politicians." Next, they talked about the situation in Georgia. In the words of Korotchen. the CIS peace-making forces in Abkhazia will be there as long as necessary. This same theme was heard at the meeting of the heads of the Ministries of Defense and Ministries of Foreign Affairs. Such a mosaic picture, nevertheless did not deprive Andrey Kozyrev of a justification to state that special attention during the meeting was paid to the problem of using peace-making forces in settling conflicts—the period of their stay in Tajikistan and Abkhazia was extended.

Elegy

During the meeting of the MEK [Intergovernmental Economic Committee] presidium that preceded the summit, a draft agreement entitled "On Settling Debt Obligations of the CIS Participant States" was adopted. In particular, it was decided to recognize as debts the difference in the intergovernmental accounts for trade and economic operations during 1992-1993 and to ensure their settlement by concluding intergovernmental and interbank agreements. In the opinion of Vyacheslav Solovov, deputy chairman of Russia's Central Bank, the ability of the CIS states to pay remains low and payments are unsatisfactory. According to his estimate, the debt of the CIS countries to Russia for this period was 2.4 trillion rubles, of which the larger portion (1.25 trillion) is Ukrainian indebtedness. The last word in solving this question was left for after Minsk.

The problem of establishing a currency committee was also discussed. During the voting only Turkmenistan abstained; the others supported the decision. In Yeltsin's words, it is impossible to put off the formation of a currency union to an indefinite time: "It is time to think about the prospects for moving to a common currency." In Russia, for example, the ruble's exchange rate has begun to rise and stabilize. Thus, the Russian ruble is the first candidate for the title "CIS payment asset."

In the Belarusian capital they are now deciding the problems of bilateral trade. In the words of First Deputy Prime Minister Abbas Abbasov, Azerbaijan, for example, is ready to resolve all problems with the signing of a trade and economic agreement with Russia and also with Belarus, Kyrgyzstan, Moldova, and Ukraine.

The agreement on transporting military-type special freight was approved unanimously (the document's draft, also introduced by Russia, defines the procedure and conditions for shipping and protecting the cargo).

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Russia's Deputy Premier Sergey Shakhray mentioned among the summit's results the breakthrough on the path to establishing a single CIS information space. A decision to entrust the MEK and the Mir Intergovernmental Television and Radio Company with preparing an agreement to establish a single CIS information space was adopted in Minsk.

Also discussed in Minsk was the procedure for awarding CIS citizens the Georgiy Zhukov Medal. Yeltsin proposed that such medals be cast but on condition that the statute on awarding them, which Moscow has approved, be disseminated in the Commonwealth. Of course, everyone is equal in the Commonwealth, but there also should be a Best Friend.

Results of the Summit of Government Leaders of the CIS Countries

Questions concerning the establishment of an Intergovernmental Currency Committee, adoption of a CIS convention on the rights and basic freedoms of the individual, establishment of an Interparliamentary Assembly of CIS participant states, the concepts and an agreement on protecting CIS participants' state borders with states not included in the Commonwealth, and extension of the stay of collective peace-making forces in Tajikistan were reviewed.

On the last question, the summit participants unanimously voted to extend the period. In addition, a comprehensive plan for regulating the situation on the Tajik-Afghan border was approved and the question of appointing Lieutenant General Valentin Bobryshev commander of the collective peace-making forces in the Republic of Tajikistan was reviewed. The participants in the meeting unanimously voted for extending the stay of the collective peace-making forces in Abkhazia. The statute on the CIS secretariat and its organizational and staff structure and the question of financing the activities of the collective Security Council were put off for the time being.

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Economic Issues

*Academician Aganbegyan Discusses Economic Situation

954E1053A Moscow DELOVOY MIR in Russian No 20, 29 May-4 Jun 95 p 35

[Interview with Academician Abel Aganbegyan by N. Ilyinskaya; place and date not given "Investments—the Archemedean Screw of the Economy"]

[FBIS Translated Text]

[Ilyinskaya] Abel Gezevich, today the economic situation in Russia is evaluated in different ways. There is a range of opinions, from reassuring stabilization to total collapse and transformation into a raw material appendage of developed countries. Where are we really? What is your view of the state of the economy in 1995 and what are the immediate prospects?

[Aganbegyan] At the present time it is premature to speak of stabilization. A transition has taken place from a crisis to depression (stagnation). This is evidenced by the fact that a decline in industrial production has not been occurring over the last six months and it is stagnating near the lower point reached during the crisis. From January to April 1995, production amounted to 96 percent of the level in the corresponding period of 1994, while exports were at 110 percent and real income at 99 percent.

Depression is a difficult time, a time of a market crisis and sluggish production, a time of bankruptcies and a rise in unemployment—by official figures it is now close to 2 million.

At the same time, however, depression is a period of creating a basis for resolving the crisis and subsequent animation and revival. The emergence from a crisis usually begins with investment activity marked by a recovery of the investment branches, which pull the rest of the national economy out of the pit. During the period of depression, financial resources are accumulated which subsequently become a source in the investment boom.

A year ago the accumulation of financial resources was minimal since with a high rate of inflation it was unprofitable to save, and money, including convertible currency, was being devalued with relation to rapidly rising prices for goods. The population, concentrating most of the monetary funds in society, during 1992-1993 spent all of the monetary income very rapidly on acquiring necessary goods.

We observed a completely different picture in 1994, when by April the level of inflation went down to 5 percent a month and deposit rates became positive while the dollar exchange rate grew parallel with the rise in prices. As a result, 20-30 percent of all monthly monetary income received by the population was not spent but saved by the population. Out of that, about 60 percent of the savings was in convertible currency (after exchange of rubles into dollars), while the remaining 40 percent was in the form of ruble accounts in savings banks and other banks in the form of securities and deposits.

In the spring of 1994, according to official information, the population accumulated approximately 100 trillion rubles [R], or $30 billion, considering the ruble and dollar exchange rates at that time. At least $10-20 billion was accumulated in the shadow economy. It is necessary to add to that the previously saved funds, including those in convertible currency. Over the past four months of this year the savings of the population amounted to more than R40 trillion, or about $8 billion.

As can be seen, significant financial resources are at the disposal of the population, in part for investment in major housing construction, purchase of automobiles, and other equipment. As a rule the investment boom starts specifically with a rise in demand for housing and construction that follows it.

At the same time the mere availability of financial resources that may satisfy investment programs in itself is insufficient for realistically bringing about an investment boom. As indicted by the experience of post-socialist and other countries, which underwent inflation, investments increase only when the level of inflation goes down to 2.5 percent or less per month. Only in such a case can investment credit begin working which can be used to cover from two-thirds to three-quarters of all investments. For example, if prices at the present time would be growing at 2 percent a month so that investments for the purchase of housing would be available at 30 percent annual interest, many families could deposit from 20 to 40 percent of the cost of the housing already today, paying the balance using credit obtained for several years with the mortgaging of the housing being purchased.

In order to execute these operations, however, in addition to everything else it is necessary to have a law on mortgaging, real legislation on the mortgage. It is necessary to establish certain preferential government terms for those who improve their housing conditions and, what is most important, it is necessary to lower inflation.

[Ilyinskaya] Where is the end to inflation? Is it visible at all?

[Aganbegyan] The highest inflation level of 19 percent was reached in January 1995, after which it began to go

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down. In February it amounted to 12 percent, in March it was 9 percent, and in April it was 8.5 percent.

In the summer inflation will go down to 3 percent. This is indicated by the fact that for three months of the year the money supply was not increased. Government predicts that by the end of the year monthly inflation will be down to 1-2 percent. I believe that it is more realistic to assume a rate of 2-4 percent, which would be a good achievement.

In order to knock down inflation the State Duma adopted a rather rigid state budget proposed by the government with a lower deficit than in 1994, and what is most important is that it is planned to cover this entire deficit not with credit from the Central Bank at a preferential interest rate as before, which worsened inflation, but by noninflationary means: the sale of government securities and loans from international financial organizations, and primarily a big loan allocated by the International Monetary Fund.

It is also important to stress that for the first time the budget was adopted in March, and now everyone will live and spend funds within its rigid framework. By way of comparison we can point out that in 1993 no budget was adopted at all. In 1994 it was adopted only in June, while the main money supply injection, which caused the prices to soar in the autumn, was implemented by special decision of the Duma in July, which would be illegal at the present time.

According to our predictions, in 1996 it is quite realistic to anticipate a drop in inflation to 2 percent or less a month, which will create conditions for development of the investment boom. It is still necessary to know how to utilize these conditions though. That will be promoted by certain concrete factors and, first of all, by an increase in state investments out of the budget on preferential terms to assist private investments. Such a practice is already starting in 1995. Financing a portion of the cost of priority projects, thereby sharing in the investment risk, the government is letting it be understood that it intends to support realization of projects with the total aggregate of means and tools at its disposal. There is no doubt that such state investments, with a correct selection of priorities, may bring in with it the money of private investors, a significant portion of the money being accumulated in the course of the second stage of privatization. It might also be instrumental in attracting significant foreign investments both in the direct form and in the form of portfolio investments. Today that is quite realistic since a basis is being created in the form of financial stabilization and lowering of inflation against a background of the forthcoming adoption of new laws on foreign investments, the division of production, and on concessions, securities, the land code, and others.

It is necessary to take into account that when from April-August 1994 it was possible to lower monthly inflation to 5 percent, foreign investments (we have in mind the purchase of securities by foreign investors) exceeded $500 million a month, but when the inflation level soared upward again to 14-18 percent and the war erupted in Chechnya, these investments immediately decreased tenfold.

On the threshold of a significant increase in investments, primarily in housing construction, as well as in the most effective types of production to increase output of production enjoying increased demand, it is necessary to first carry out extensive preparatory work both along the lines of local administration and in the concrete organizations. A serious legislative base is also needed along with adoption of a law on the mortgage, an improvement in legislation on mortgaging, and resolution of the question concerning ownership of land in cities, worker settlements, etc.

Anti-inflationary measures alone are completely insufficient in order to actually animate the economy and bring about significant economic growth. The following is of particular significance among other key issues:

—successful conduct of the second stage of privatization;

—elimination of massive-scale bankruptcy in the national economy;
—radical improvement of the tax system.

Of course, there are many other issues as well, but these, in our view, are the key ones.

[Ilyinskaya] Abel Gezevich, some politicians refer to voucher privatization as "the swindle of the century." What is your opinion?

[Aganbegyan] Voucher privatization, in essence, was a process of denationalization of property. At the same time state property in many cases passed into the hands of work collectives and their leaders. Unfortunately the great majority cannot be effective owners since they do not have the financial resources for rational utilization of their property.

The second stage of privatization specifically consists of finding effective owners, and it is linked with the market appraisal of property and market procedures of transferring property from one set of hands to another. That is a lengthy process, and the labor collectives, as well as their leaders, must mature enough to understand that. Their life must teach them that it is impossible to

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be an owner—"a master"—if one is unable to effectively utilize one's property.

The complexity of that second stage also consists of the fact that it is combined with the reorganization of many enterprises and their transformation into market firms. That, in turn, leads to a decrease in the number of insolvent economic organizations. The payments crisis is a delayed-action bomb placed under the foundation of the market economy.

Indebtedness of enterprises and organizations has exceeded R100 trillion. Every third enterprise in industry is insolvent, while every 10th one, in essence, is in a state of bankruptcy. It is necessary to launch a series of measures in order to decrease mutual bankruptcy at least threefold, thereby creating conditions for development of production and an increase in demand for products for most of the enterprises.

[Ilyinskaya] In your opinion what measures need to be taken in order to keep the noose of nonpayments from strangling the economy?

[Aganbegyan] In order to decrease bankruptcy it would be feasible to initiate an entire series of measures. I will name the most important ones.

First, it is necessary to decrease cases of nonfulfillment of obligations to a minimum since one unpaid government ruble gives rise to an average of four rubles in nonpayments like a chain reaction. A more realistic budget in 1995 will promote that.

Second, it is necessary to establish rigid measures of financial responsibility for new nonpayments, utilizing an order here that works in western countries with a market economy. At present nonpayments are advantageous to an economic organization; it should be the reverse.

Third, it is finally necessary to use a procedure of bankruptcy of enterprises, shifting them to a special financing regime, taking them out of the chain of ordinary payments, so that they would not expand the zone of bankrupt enterprises around themselves.

Fourth, it is necessary to develop promissory note circulation on a broader scale, covering nonpayments with promissory notes and carrying out mutual accounting of promissory notes in cases where the enterprise simultaneously has both debit and credit accounts.

[Ilyinskaya] Today it seems that all levels of legislative and executive power agree: Russia needs a taxation system which would ensure social protection of the population and would at the same time stimulate production of goods and services. How can that be achieved?

[Aganbegyan] The current tax system is stifling business and must be replaced with a new one since more than 90 percent of all taxes are collected from economic organizations, and less than 10 percent from the population. By way of comparison, in the United State that ratio is not 90 to 10, but 30 to 70. In our one-legged system the enterprise will not be able to withstand the taxes for long; it will collapse. In our view it is necessary to conduct a reform of the monetary income of the population and wages, doubling and tripling them, while simultaneously raising taxes on monetary income and real property, and including mandatory payments into the pension fund, health insurance, as well as full payment for housing and domestic services. At the same time low-income families may be granted special benefits. For example, instead of today's R400,000 average monthly wage with payment of R40,000 in taxes a month, it would be possible to set a wage of R1 million with payment of taxes in the amount of R200,000, payment for housing and domestic services of R200,000, R100,000 for the pension fund, and R100,000 for health insurance.

Correspondingly it would be possible to decrease payments by the enterprise into the pension and other social funds. An increase in the price of manpower would create additional stimuli for raising labor productivity, while at the same time such an order adopted in the market economy gives additional freedom to people in the management of their own incomes. If one is to do this then the tax burden may be decreased by a factor of 1.5 with the same budget taxes, while lowering the value-added tax from 20.5 to 15 percent. All this will make it possible to use taxes not only as fiscal tools but also as a means to stimulate the behavior of the population and for organization.

In a tax reform it will be necessary to overcome the multiplicity of taxes (reducing them from 48 types to several most important types). At present tax legislation is not direct action legislation; therefore each law on taxes requires tens and hundreds of interpretations, which is completely impermissible. The tax code, just as the Civil Code, must be a direct action law.

[Ilyinskaya] Making predictions in our transitional economy is risky business but still, Abel Gezevich, what can we expect in the next few years?

[Aganbegyan] The year 1995 will be difficult and critical. We will essentially be able to take care of inflation thereby creating premises for solving the crisis. In 1996 we will see significant growth in investment activity and the crisis as well as animation of the economy, while in 1998 it will be possible to anticipate a significant upturn in all of our economic life, when the market mechanism which propels the economy will begin working. Russia needs high growth rates in order

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to approach the level of western countries. At the present time the gross domestic product on a per capita basis in Russia comes to $2,700 a year, according to data of the World Bank, as compared with approximately $3,500 in Poland and the Baltic nations, $4,000-5,000 in the Czech Republic, Hungary, and Brazil, $10,000-12,000 in South Korea and Taiwan, somewhat more in Spain, $15,000-20,000 in the European countries, and $25,000 in the United States and Japan.

Using the experience of Spain after Franco, South Korea, Taiwan, and Indonesia over the past five years, and Argentina over the last three years—all having overcome inflation—we must ensure accelerated growth of the economy and standard of living, based on market stimuli and various mechanisms. We have both the natural wealth and an educated people for that purpose. We lack the appropriate economic mechanism, as well as order and government stability. If we attain all that, we will break through to the peak of contemporary civilization.

***New Large Bank 'InterTEKbank' Established**

954E1072A Moscow KOMMERSANT-DAILY in Russian 7 Jun 95 pp 5,6

[Article by Mikhail Loginov: "Mintopenergo. A World-wide Story. InterTEKbank"]

[FBIS Translated Text] **To start with, let us relate one editorial story. In mid-May, KOMMERSANT-DAILY was preparing for publication the rating of a comparative survey of Moscow banks. When the work was almost finished, the compiler of the rating, a leading analyst from the department of finance, Yuriy Katsman, looked in on the author of the present article and said: "We have computed the coefficients for the rating... And some bank called InterTEKbank showed up." And so, we understood that it is time to write about InterTEKbank.**

In reality, the creation of InterTEKbank and its rapid growth over the last 10 months was not accompanied by either advertising or presentations. However, sooner or later the moment comes when it is no longer possible to "hide" such a large bank. We expect that in the nearest days the CB [Central Bank of Russia] will register another, the fourth by count, prospectus for issuance of shares in InterTEKbank. The bank's statutory fund will double—to $102 million.

InterTEKbank begins

A year-and-a-half ago, in September of 1993, two events occurred, each of which may with equal justification be considered as the beginning of InterTEKbank story. On 8 September the protocol of the working meeting of leaders of the fuel-energy complex of the member countries of the Intergovernmental Council on Oil and Gas was signed. The protocol included a resolution on developing a system of mutual accounting for the products supplied by the TEK [fuel and energy complex] enterprises. The task of organizing such a system was to be assumed by a special bank.

On 28 September 1993, three firms—AO [joint-stock company] "Petro-Russ," AO "Monolit," and TOO [limited partnership] "Selena"—signed the constituent agreement on creation of the bank. The announced statutory fund of the bank comprised only 150 million rubles (R), which was the minimally allowable amount at that time. The names of the founders were not known to the general public, and the new bank structure would most likely not have attracted any attention to itself, were it not for its name. The bank was called "LUKoil." Aleksandr Trif, who at that time was one of the vice-presidents of the Yugorskiy Shareholders Bank, became the chairman of the board of "LUKoil" bank.

Mr. Trif is a man who is well known in the narrow banking-oil circle. He is considered to be one of the founders of the Yugorskiy Bank, and at one time occupied the post of first vice-president of this bank. In the words of those who have a good knowledge of the state of affairs in the "Yugorskiy," Mr. Trif established ties between the bank and Mintopenergo [Ministry of Fuel and Energy], and also had good personal and business relations with a number of major oil company clients, and primarily with "Megionneftegaz." Specifically, Mr. Trif was well acquainted with Anatoliy Fomin, who until April 1993 had served as general director of "Megionneftegaz," and then as first deputy minister of fuel and energy. Mr. Trif was also personally acquainted with the minister himself—Yuriy Shafranik, whom he had known back in the times when Mr. Shafranik headed up the "Langepasneftegaz" company, which later became an affiliate of "LUKoil." Evidently, Aleksandr Trif's ties played a significant role in the fact that two projects—"TEK bank" and "'LUKoil' bank", which initially had no relation to each other, were later merged into a grandiose new project entitled "InterTEKbank."

From vice-president of "Yugorskiy" to president of InterTEKbank

Here the first question arises. By the Fall of 1993, there was already a large oil bank in existence in Russia, which served the entire line of leading oil drilling and petroleum processing enterprises. This was the "Yugorskiy Shareholders Bank." Among its clients

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and stockholders at that time were the oil company "LUKoil," the PO [production association] "Megionneftegaz," the PO "Nizhnevartovskneftegaz," the AO "Sibneftegazpererabotka," and others. There is reason to believe that the "Yugorskiy" aspired to the role of "head oil bank" of the country, and that the government was ready to view it as such. Specifically, in the Fall of 1992 the president of "Yugorskiy," Oleg Kantor, visited the USA, where he was introduced as the banker of the Russian oil circles. A work group operated within the Yugorskiy Bank whose task included the development of details for granting the domestic oil industry the $2-billion credit of the IBRD [International Bank for Reconstruction and Development]. Finally, during the Fall of 1993 there was serious discussion of the project of merging the Yugorskiy Bank and the "Imperial" bank (the "Rossiyskiy kredit" bank was also to join with them) into a single "TEK super-bank."

However, after that, in late 1993-early 1994, an entire series of events ensued. Major clients—"LUKoil," "Megionneftegaz," "Sibneftegazpererabotka"—left "Yugorskiy," as did a number of its associates. Among them (and perhaps foremost of all) was Vice-President Aleksandr Trif.

Complement of shareholders in InterTEKbank at the beginning of 1995

Organization	Contributed sum (in thousand rubles/ thousand dollars U.S.	Share in statutory fund (%)
Federal contract corporation "Roskontrakt"	21,875,000/12,500	24.396
AO "Megionneftegaz"	20,037,500/11,450	22.347
AO "Sibneftegazpererabotka"	18,025,000/10,300	20.102
AO "Prominvest"	17,500,000/10	19.517
AO "Komneft"	4,375,000/2,500	4.879
AO "Petro-Russ"	2,762,500/1,550	3.081
AK [shareholding company] "Transneft"	2,625,000/1,500	2.928
AAO "MIKO Finance and Trading Company" (Belgium)	2,100,000/1,200	2.342
RAO [Russian joint-stock company] "EES Rossiya"	250,000/-	0.279
AO "Monolit"	50,000/-	0.056
TOO "Selena"	50,000/-	0.056
Union of Oil Producers	10,000/-	0.011
NPO [scientific-production association] "Promgaz"	5,000/-	0.006
TOTAL	89,665,000/51,000	100

Regarding the reasons for Aleksandr Trif's departure from "Yugorskiy," there are at least two versions. The first, which is supported by certain current and former associates of Yugorskiy Bank, reduces the matter exclusively to the personal ambitions of the former vice-president. And there is reason in this. Aleksandr Trif, who for a long time had been "in the shadow" of the president of "Yugorskiy," Oleg Kantov, at some moment felt that he was strong enough to himself become the head of a bank. The situation is rather typical for current Russian business. However, in our opinion, everything cannot be explained by "subjective" factors.

Especially since Aleksandr Trif himself, in his conversation with our KOMMERSANT-DAILY correspondent, presented a much more curious explanation for his departure. In his words, there were some differences of opinion between him and President Oleg Kantor regarding the strategy for the bank's development. In the words of Mr. Trif, Oleg Kantor was a proponent of the

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concept of a "private bank." That is, such a bank whose joint-stock capital would be dispersed—would exist in the form of relatively small packets distributed among many shareholders. Under such a state of affairs, individual stockholders could not dictate their will to the bank's leadership, which in fact determined its policy. Aleksandr Trif, however, held a somewhat different, we would say "state" view, on the subject. He believed that since the oil sector is under the control of the state for the present time, and while the controlling packets of stock in the oil companies (including those which were stockholders in Yugorskiy Bank) were in the hands of the government, a large oil bank cannot be "private" in full measure, but must be an instrument for implementing state policy in the sphere of oil drilling. It is no accident that the name of the InterTEKbank which was later created was initially the "International Bank for Development of the Fuel-Energy Complex." But we have gotten ahead of ourselves.

How the "LUKoil" bank found itself without "LUKoil"

And in the meantime, in the Fall of 1993, the vice-president of "Yugorskiy," Aleksandr Trif, decided to leave the bank (his formal departure occurred somewhat later, in the beginning of 1994) and to create a new banking institution. The question, however, was: On whose money would the new bank operate? The "LUKoil" bank was Mr. Trif's first effort. And here we will have to make a slight digression.

In October of 1993, the Russian banking world was rocked by the news that the largest national oil company, "LUKoil," figuratively speaking, had gathered up its things and moved all its huge funds from the Yugorskiy Bank to the "Imperial" Bank. For most outside observers, this was an entirely unexpected occurrence. As we may understand from the comments of certain representatives of "Yugorskiy," this decision by the "LUKoil" leadership was quite unexpected for the bank as well. Various rumors spread throughout Moscow. They stated, specifically, that the chairman of the governing board of "Imperial," Sergey Rodionov, tempted the "LUKoil" leadership with an offer to acquire a large packet of stock in "Imperial." We will note, by the way, that "LUKoil" was not a shareholder in "Yugorskiy" bank. Then again, it cannot be excluded that this was nothing more than rumor.

In his conversation with our KOMMERSANT-DAILY correspondent, "LUKoil" Vice-President Leonid Fedun denied this version, stating that participation in the capital of any bank is not a goal of the concern, and that the value of "LUKoil" for any bank is determined not by several billion introduced into the statutory fund, but by the entire multi-billion turnover of the company. In turn, Mr. Fedun presented the "LUKoil" version. In his words, "LUKoil" is a "credit-consuming" company and at a certain stage the capacities of the Yugorskiy Bank proved insufficient to satisfy "LUKoil's" demands for credit.

The "LUKoil" management, engaged at that time in the development of the concern's financial strategy, reviewed at least two variants of further action. The first (the one which was implemented) was the changeover to servicing at another, rather large commercial bank. In the words of Mr. Fedun, at that time only two banks met the requirements presented by the major oil concern—"Imperial" and Tokobank. The choice fell to "Imperial" largely because this bank was already servicing the "LUKoil" trade house. It was its management which brought the bank and the company together.

The second variant (not implemented) was the creation of their own captive, or simply speaking, "pocket" bank, work on the organization of which was assumed in September of 1993 by the vice-president of Yugorskiy Bank, Aleksandr Trif. But, as they say, man proposes, but the "oil gods" dispose. As Leonid Fedun stated, the idea of a "pocket" bank was rather a "tribute to fashion," and from the very beginning did not enjoy the support of part of the company's management. Among the skeptics was Mr. Fedun himself, who compared the relations of the parent company and the captive bank with the situation in the anecdote: "In the morning they plant potatoes, and in the evening they harvest them, because they are very hungry." Therefore, the other point of view prevailed: It is necessary to change over from the "Yugorskiy" to another, larger, bank. The first effort to create a new large bank did not succeed.

Second attempt proved successful

After the "LUKoil" concern changed over to "Imperial" bank, it turned out that, in fact, no one needed "LUKoil." A new "fruitful debut idea" was needed. And such an idea was found. Remember, in the very beginning we mentioned the protocol of the working meeting of leaders of the fuel-energy complex of the member countries in the Intergovernmental Council on Oil and Gas, which contained a resolution on developing a system of mutual accounting for products supplied by the TEK enterprises. The fact that the task of heading up the "TEK bank" was assigned specifically to Aleksandr Trif does not seem surprising to us if we recall both his views and his personal acquaintance with the leaders of the Russian Mintopenergo.

In July of 1994, the Minister of Fuel and Energy of Russia, Yuriy Shafranik, held a meeting of oil producers

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in Tyumen. Speaking at a press conference at the oblast administration, he announced that a bank of the fuel-energy complex of Russia would be created in the nearest time. In the words of Mr. Shafranik, all payments for Siberian oil and gas must pass through this new bank. Aside from this, according to the minister's plans, the TEK bank must credit the oil and gas industry of Siberia.

At the same time—on 26 July 1994—the general stockholders' meeting of the "LUKoil" bank introduced changes and amendments into its charter (the bank charter was registered in the CB of Russia on 21 February 1994 as Number 2710). The main "change and amendment" is the change in the name of the bank. Now it is to be called the "International Bank for Development of the Fuel-Energy Complex"—"InterTEKbank." From that moment on, the rapid growth of the bank began. We will recall that at the moment of founding of the "LUKoil" bank in September of 1993, its announced statutory fund comprised only R150 million, while InterTEKbank, in a period of 6 months—from July through December of 1994—registered and paid for three issues of stock, bringing its statutory fund to $51 million, or R89.665 billion. At the beginning of 1995, the bank will register its fourth prospectus of emission, according to which its statutory fund should double, and comprise $102 million. The bank's currency balance increased with cosmic speed, and by the present time exceeds R1 trillion.

The bank received the official support of the governments of the Commonwealth member states, which announced their intention to join in the complement of its founders. It is expected that the first such foreign shareholder will be Belorussia.

In August of last year, InterTEKbank, without any delays, received an expanded currency license from the CB. The bank has also acquired all the "degrees of authorization" which it requires—it is the officially authorized bank of the MFER [Ministry of Foreign Economic Relations] on servicing special exporters; it is authorized by Minfin [Ministry of Finance] for work on treasury bonds (the bank depositary works with the KO [treasury bonds] of the "Rosugol" company for the sum of R560 billion); it is authorized by Mintopenergo to service the investment programs (a Mintopenergo investment account has been opened at InterTEKbank, and there is another such account at the "Imperial" Bank). The bank is linked with the SWIFT system. And so on, and so on, and so forth. And one more important nuance: According to Mr. Trif, a group of specialists which at one time worked in the Yugorskiy Bank on the program of the $2-billion IBRD credit for Russian oil producers has come over to the bank. So that InterTEKbank may be viewed also as a potential channel for placement of foreign investments in the domestic TEK.

One "Imperial" is good, but two are better

Here question number two arises. Let us assume that "Yugorskiy," for some reason, is not suitable in the role of the "TEK bank." But there was one other bank which was synonymously associated with the fuel-energy complex. It was even larger, even "more authorized," and was called "Imperial." Why, then, did Mintopenergo need to create a new gigantic TEK bank in 1994? None of the people with whom we had occasion to talk could answer this question, or more likely did not want to. KOMMERSANT-DAILY experts, on the basis of a comparison of certain facts, have tried to formulate their own version.

We have already mentioned that in October of 1993 the oil company "LUKoil" changed over for servicing at the "Imperial" bank. Moreover, the oil company became not only a client, but also the holder of a rather large packet of stock in "Imperial." "Gazprom" owned about the same size packet of stock in "Imperial." But the equilibrium between the "gas producers" and the "oilmen" did not last long. In July of 1994, the chairman of the board of "Imperial" bank, Vladimir Chirskov, was displaced from his post. His place was taken by the head of "Gazprom," Rem Vyakhirev. Later, the strengthening of "Gazprom's" positions was reflected in the change in the structure of the bank's joint-stock capital—on 9 December 1994 the CB registers an increase in the statutory fund of "Imperial" from $146.5 million to $391.1 million, and the largest portion of shares—34.7 percent—is taken by "Gazprom," while "LUKoil" is left with 12.1 percent. In fact, "Imperial" is gradually becoming more "gas-oriented" than "oil-oriented." And it was specifically in July of 1994 that work was sharply stepped up on formulating a new TEK bank on the basis of the "LUKoil" bank. If you recall, the idea of creating the bank was born back in 1993, but for some reason it was not undertaken right away. And here, suddenly, Minister Shafranik proclaims the words in Tyumen about the impending creation of a TEK bank, on 26 July the "LUKoil" bank is re-named the "InterTEKbank," on 22 August the bank receives a currency license, the steady "infusion" of InterTEKbank with money begins, and by the new year we already have a giant with almost 90 billion in the statutory fund. An oil giant, you will note. As we may clearly see from the list of shareholders, this bank is predominantly oil-oriented. The "gas producers" ("Promgaz") have only a token representation, with a share of 0.006 percent. Then again, in InterTEKbank itself they maintain that

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the temporal coincidence of all these events is quite accidental.

Who should fear InterTEKbank?

The answer to this question is quite obvious: The large Russian commercial banks. InterTEKbank represents a typical image of a large Russian bank, initially oriented toward a large corporate client. (Within the bank, a "module" has been created in principle for attracting the funds of individuals, but for the present time is not performing practical work with private investors). However, the problem is that InterTEKbank has emerged on the market at a time (we are nevertheless counting from mid-1994) when the major clients were, on the whole, divided up. After all, the story of InterTEKbank itself began in fact with the re-apportionment of the clients: The major shareholders and clients of InterTEKbank—"Megionneftegaz" and "Sibneftegazpererabotka"—were former clients of "Yugorskiy" bank. The Inkombank has shown traditional interest in the accounts of another major stockholder—"Roskontrakt," including its regional structures, etc. InterTEKbank is the bank of the fuel-energy complex, and one of its program goals is to credit enterprises in the sector. Therefore, it is not surprising if the bank seeks to find borrowers among the leading Russian oil companies (according to the information of KOMMERSANT-DAILY, the bank, aside from "Megionneftegaz," in April-May credited the "LUKoil" and "Rosneft" companies and certain others, although they refused to comment on this topic in the bank itself). Yet all the large oil companies have already "settled in" with the major banks.

Moreover, the ambitions of InterTEKbank are clearly not limited to oil drilling and oil processing. The bank has embarked upon the financing of a number of major projects in the field of shipbuilding (see boxed material). It is also showing interest in such spheres are technical re-tooling of defense enterprises, creation of additional sources of secondary raw materials for enterprises in ferrous and non-ferrous metallurgy, and others. Other large banks are already operating in all these spheres. And since that is the case, then we may state with a high degree of certainty that the arrival of a large new bank on the market will lead to an intensification of the competitive struggle.

[Begin boxed material]

Some projects in whose financing the InterTEKbank participates

The bank is realizing the Program of Participation in the TEK System. Within the scope of this program, InterTEKbank, in conjunction with the "Petro-Russ" and "Tomiris 3" companies and oil- and gas-producing production associations—founders and clients of the bank—has developed an original scheme of financing which makes it possible to make long-term investments into capital-intensive projects in the sphere of development of deposits and extraction of oil and gas, their processing and transport. The most significant are the projects developed by a group of specialists under the leadership of Doctor of Technical Sciences, Professor Nikolay Grigorenko:

—Production for preparation of gas and complex processing of casing head gas at the Levoberezhnyy deposits along the Ob River, on the basis of the AO "Megionneftegaz";

—Development of the Yuzhno-Pokamasovskiy deposit (including the undeveloped reserves at deposits located in direct proximity);

—Development of the Severo-Orekhovskiy deposit;

—Assimilation of the Srednebotuobinskiy oil and gas condensate deposit, with processing of extracted oil.

The overall cost of the above-listed projects is estimated at about $1 billion.

The bank is focusing particular attention on realization of the projects and programs of conversion of enterprises in the defense sector of industry in the regions, as well as the preservation and development of the industrial potential at the regional level. Thus, in 1994 InterTEKbank, in conjunction with the Russian "Petro-Russ Shipping" Company (President Viktor Chugunov) and its partner—the Danish company Industrial Development Corporation of Scandinavia (IDC)—developed and is presently utilizing at a number of Russian wharfs a scheme of financing the construction of ships, making it possible to provide orders for the idled shipbuilding capacities.

In conjunction with the "Imperial" bank and a number of Western banks, the financing of shipments of imported equipment has been organized for construction of two chemical tankers at the Baltic plant in Petersburg, under contract with a large German company. The volume of financing of this project in 1995 comprised around DM20 million. Moreover, preparations have been made for financing the construction of two tankers with displacement of around 30,000 tonnes at the Admiralty Wharfs. The volume of financing is in excess of $10 million.

Among the priority investment projects is the construction at the Baltic Plant Petersburg of six bulk cargo ships (bulkers) with displacement of around 45,000 tonnes, and at the Northern Wharf—six bulkers with displacement of around 6,000 tonnes.

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[End boxed material]

***Effect of Law Safeguarding Citizens' Savings Assessed**

954E1050B Moscow ROSSIYSKIYE VESTI in Russian 6 Jun 95 p 3

[Article by T. Popova: "Who Was the Law Written For?"]

[FBIS Translated Text] **The law on recovery and protection of the citizens' savings in Russia was adopted and signed by the president of the Russian Federation. It is aimed not at the entrepreneurs or some investors but at the plain citizens—former Soviet citizens, presently Russian citizens—who are hoping to get back deposits devalued by the reform.**

Finally! The debtor recognized himself as such and recorded that in a law. Millions of depositors are undoubtedly reading that document very carefully and have a number of questions.

The first question is about the size of the debt in general and the savings being returned to everyone who suffered a loss. The answer is that the value of the savings is considered to be their purchasing power at the moment of deposit (in the case of savings made prior to 1 March 1991, the purchasing power of the ruble in 1990 is considered). "The purchasing power of money is calculated proceeding from the cost of a fixed selection of basic consumer goods and services, including a food ration, which ensures normal physiological existence of a person."

Here, every person reading the law becomes suspicious that the law was written not for plain citizens since it is practically impossible to explain to this plain citizen how much money will be returned to him (if anything is returned at all). That is much easier to do to a specialist, of course, since any economist familiar with social problems and questions concerning consumer baskets will immediately understand that the value of savings lost by the citizens will now depend on the figures obtained by those who start compiling "the fixed selection of basic consumer goods and services." Even the specialist, however, would be curious to know what prices will be taken as the basis for calculation of the purchasing power of money in 1995, because even within the city limits of Moscow prices for the same item often vary at the very least by a factor of 1.5.

The second question is how will the debt be repaid? The answer is: "Recovery of guaranteed savings is made by converting them into special-purpose bonds of the Russian Federation, which are state securities."

The suspicion that the law is not for us is reinforced. After the voucher epic, to offer people another issuance of "securities"—this time not for the mythical property being privatized but for once-real savings—is a risky step. I will not undertake to describe the joy of those who have lost their savings at the prospect of acquiring special-purpose bonds. It is more than likely that all mandatory holders of the new government securities have this question.

The third question is what direct action norms are contained in the law? The answer is that special-purpose bonds may serve as means of payment in the process of privatization. We shall add from ourselves, unless of course privatization is completed before the appearance of these federal laws which determine the order in which guaranteed savings are to be converted into special-purpose bonds.

Now a final remark directly concerning the law on the recovery of savings. If one is to judge by the style and lexicon of the law, the authors have set an initial goal of writing as nebulously as possible.

Let us leave the law alone and devote some attention to the problem itself. The recovery of savings, of course, is a sufficiently expensive task and its hasty resolution might punch a huge hole in the already poor budget and become a powerful inflationary factor.

What can be done?

I shall risk offering the following optimal plan of action in this situation:

—divide citizens who suffered as a result of the loss of savings into two groups from the viewpoint of their social vulnerability;

—utilize part of the funds received in the second stage of privatization for recovery of savings of the socially vulnerable group of citizens (pensioners, invalids, parents of crippled children, families with many children);

—realistically recover savings (indexation of deposits with the right of immediate receipt) for the socially vulnerable group of citizens in the course of the year. Evaluate the value of savings using the most understandable formula; multiplying the amount of deposits by a legislatively adopted coefficient (for instance, by 1,000);

—issue special-purpose bonds in the course of the year to other citizens who have suffered;

—establish a timetable for payment of special-purpose bonds. Allocate land plots and housing as well as property being privatized for purchase by citizens with the use of special-purpose bonds;

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designate a certain number of shares of all enterprises being privatized for the special-purpose investment fund created by the State Committee on the Administration of State Property. The special-purpose bonds are recognized as the only means of payment for shares of this investment fund.

The proposed scheme is probably not the only possible and optimal variant and there might be many viable variants of a solution to this problem of restoring savings, but the problem can be resolved only if the authorities really want to resolve it and not just by shutting the mouth of those who are unhappy with another answer written just for form only instead of creating a law.

***Decree Creates Center For Financing Draft Projects**

954E1058A Moscow ROSSIYSKAYA GAZETA in Russian 7 Jun 95 p 3

[Russian Federation Government Decree: "On the Federal Center for Project Financing," signed by Chairman of Government of the Russian Federation V. Chernomyrdin on 2 June 1995 in Moscow, No 545]

[FBIS Translated Text] For purposes of effectively promoting the attraction of financial means, including domestic financing, and providing for the realization of investment projects having a priority character for the national economy, the Government of the Russian Federation **hereby decrees:**

1. That the proposal of the Ministry of Economics of the Russian Federation and the Russian Federation State Committee on Administration of State Property regarding the creation of a Federal Center for Project Financing (henceforth—FCPF)—an organization performing work on preparation and implementation of projects provided by agreements between the Russian Federation and international financial organizations, and also financed at the expense of funds attracted from other outside sources—shall be approved.

The Russian Federation State Committee on Administration of State Property and the Russian Federation Ministry of Economics shall resolve the questions associated with the creation of the FCPF, and shall hand over to it the building at the following address: Moscow, Smolenskiy Boulevard, house 3/5.

2. For purposes of ensuring the effective activity of the FCPF and proper control over the realization of the tasks placed before it, provision shall be made for the formation of a collegial body (council) of the FCPF, which shall implement supervisory functions and be headed by the Russian Federation Minister of Economics Ye. G. Yasin and First Deputy Minister of Economics of the Russian Federation Ya. M. Urinson, with S. A. Vybornov being appointed as the head of the FCPF.

Within a month's time, Ye. G. Yasin and S. A. Vybornov, respectively, shall make provision for formulation of the said council and preparation of the necessary documents on organization of the activity of the FCPF.

3. The Russian Federation Government decree of 4 April 1994, No 277, "On Organization of Work with Foreign Invesments and Consultation-Technical Assistance" (Collected statutes of the President and Government of the Russian Federation, 1944, No 15, p 1182) shall be deemed no longer valid. The Russian Federation Ministry of Economics shall resolve the questions associated with the liquidation of the Russian Federal Center for Project Financing and Consultation-Technical Assistance under the Russian Federation Ministry of Economics.

[Signed] Chairman of Government of the Russian Federation

V. Chernomyrdin

***Economic Minister Yasin Outlines Enterprise Investment Plans**

954E1049B Moscow MOSKOVSKAYA PRAVDA in Russian 19 May 95 p 2

[Article by T. Pomelova: "'Red' Directors Are Turning 'White' Ever More Quickly; But Among Them There Are Still the Favorites of Both the Government and the President, Believes Minister of Economics Ye. Yasin"]

[FBIS Translated Text] Russian enterprises are seeking investments. This is not the statement of a fact, but the name of an international conference which in recent days concluded its work in Moscow. Organized by the Moscow Public Committee on Rights of Stockholders, this action brought together in one auditorium those who today are in acute need of money, and those who are ready (or almost ready) to give them this money. Nevertheless, it was not the traditional complaints of the former and the promises of the latter which evoked greatest interest, but rather the speeches by government representatives, who once again formulated and commented upon the economic strategy for the next 3 years.

At the admission of Minister of Economics of Russia Ye. Yasin, our country is experiencing a deep investment crisis. As compared with 1991, investments have dropped to 40 percent, i.e., by more than half of their

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previous volumes. In connection with this, many people are experiencing natural apprehensions: Will such a multi-year under-investment not lead our economy to collapse? Is it not also evidence of the ineffectiveness of the current government? Having asked these questions, the minister immediately answered them himself: Yes, we must agree with the sad facts, but the pessimistic evaluations and predictions should be rejected.

The arguments of Ye. Yasin in favor of optimism were simple: The country is experiencing a transition from one economic system to another. The procedure of transition requires a change in the investment regimen. To put it more simply, previously there were many investments, but ineffective ones, while today there must be fewer of them, but they must be effective. In the opinion of the minister of economics, the beginning of reform in Russia was determined to a significant degree by specifically this factor. And the decline in investment activity is inevitable, necessary and positive, since the investments corresponding to the former regime are being curtailed, while those corresponding to the new one are being expanded.

Should we place the stake on the capacities which were "inherited" from the former economic system? Hardly, even considering the fact that these capacities are colossal, and that today hardly half of them are being utilized. Ye. Yasin noted with significance: It would be better if our economy rejected such a legacy altogether. After all, a large part of these capacities was created under conditions of a non-market economy, worked for "that" system, and therefore does not at all correspond to the demands of the market. In order to force them to operate somehow, it would be necessary to significantly increase the volume of investments, i.e., to follow the extensive path, mechanically printing money. Such a policy is today unacceptable. Consequently, emphasized the minister, the government's task consists of stimulating the growth of investment activity on the part of private capital.

In order to implement such a difficult task, it will be necessary to more or less achieve financial stabilization and to reduce the investment risks (this presupposes, on one hand, the struggle with crime, corruption, etc., and on the other—the creation of a securities market infrastructure).

"We are speaking not of increasing state investments as such," Ye. Yasin persistently repeated. "In the budget for 1995 their relative share has been reduced by almost two times as compared with that which was allocated for these purposes in 1994. The government intends to stimulate the investment process in Russia, exerting its influence by indirect means. Thus, a rather large sum in the amount of 1.5 trillion rubles (R) has been allocated for support of private investments."

What does this support entail? First of all, the sharing of risk with the "private owner": Either by means of credits, or by means of direct state participation in the acquisition of stock, or in some other form. Simply speaking, the state intends to "supplement" from the budget up to 20 percent to the required sum. Who can expect such financial infusions? In principle—everyone, i.e., an enterprise of any form of ownership. But the money must ultimately go exclusively to those who submit the most highly effective project at the projects competition.

As for foreign investors, the minister of economics restated the former favorable attitude toward them on the part of the government. But he admitted that the stake in this situation will nevertheless be placed on domestic private capital.

On its own shoulders, the state intends to assume only the burden of financing the social sphere (which, we might add, is a given in any state), and also the support of promising sectors. It is true, in speaking of the latter, the minister honestly admitted that for the present time there is no money for the realization of such a noble task, and therefore the support bears a purely declarative character.

And so, what conclusions should the directors draw? The main one, and certainly not an optimistic one, consists of the fact that they should not count on financial aid from the state. Each one will have to save himself individually. Then again, such "singularity" is envisioned... by the governmental program for saving production.

"It presupposes the implementation of such an economic policy," Ye. Yasin explained the essence of the program, "which would allow the enterprises to feel that they have not been abandoned to the whims of fate, but rather that they are free and responsible. How long can we keep tens of thousands of enterprises on state strings? Yet we keep them—both the government and the president have their favorites. They make the rounds, ask for and get money. And I oppose them—that is the nature of my work."

As the most characteristic example the minister recalled Rostselmash:

"It is a good, very big plant which manufactures combines. True, they do have some shortcomings: No one in the West will buy them, and no one in Russia will take them either. For the West they are not good enough, for us—too expensive. Nevertheless, since the start of 1992 this plant received over R3 trillion from

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the state in 1995 prices. How much longer must we feed it for free?"

Now enterprises will be "fed" only for payment. Nevertheless, the sharp and rapid growth of capital investments in the most effective investment projects is quite realistic, according to the prognosis of the deputy chairman of the RF Central Bank, A. Kozlov, who spoke at the conference. For this, the government and the Central Bank must first of all see to it that the profitability from any operations on the finance market does not exceed 100 percent. The May drop in the exchange rate of the dollar also "works" toward such a policy. At least, the latter circumstance allowed the deputy chairman of the CB [Central Bank] to assume that the ruble savings which have been growing in recent times are ready to spill out onto the domestic investment market. And the upsurge of investment activity on the part of Russian private investors, in the opinion of A. Kozlov, should be expected already by this summer. We might add that, in view of the fact that absolutely all the speakers demonstrated remarkable optimism toward the corps of directors, the representative of the Central Bank proved to be the most brave in his evaluations.

What is the demand for investments in Russia? According to the information of Deputy Chairman of the Federal Commission on Securities and the Stock Market D. Vasilyev, only one-third of the privatized enterprises are today able to cover the cost of production through their own income. The shortage of working capital is most acutely felt in such sectors as the food industry and light industry. But, noted D. Vasilyev, last year also demonstrated an encouraging tendency: The corps of directors began to recognize the need for urgent correction of the production strategy, and changes in the nomenclature of the products. In short, the "red" directors, in his words, have become noticeably "whiter."

Some experts, commenting on the work of the conference devoted to investments in the Russian economy, recalled the aphorism of Lenin: "Better less, but better." There is no need to doubt the fact that there will be fewer financial infusions. The government will deal with this task without any problem. But how much "better" will the situation be? Will private capital, which for the present time is being comfortably "socked away" by the population (and these "socks," according to the information of D. Vasilyev, hold already no less than $20 billion) or kept in Western bank accounts, want to "shower" a golden rain upon Russian enterprises which are experiencing a severe crisis? And did anyone really believe that the May drop in the dollar was a sign of financial stabilization, and not another action which had rather a propagandistic than an economic essence (especially at the moment of construction of the progovernmental "Our House of Russia")?

Even in the most upbeat speeches, the refrain could be heard: To increase the activity of domestic investors it is necessary already in the nearest time to first of all complete the development of a normative base, making it possible to protect their rights, and secondly—to formulate a branched securities market infrastruction. Both the former, and especially the latter task is difficult to fulfill, especially in a short period of time. So that, it is unlikely that the dream of overcoming our deeply ingrained habit of relying on foreign investments already by the end of this year will come true.

*Gazprom Meeting Claims High Profit Drawn

954E1064A Moscow DELOVOY MIR in Russian 6 Jun 95 p 1

[Article by Tina Dzokayeva, DM columnist: "Gazprom Confirmed Its Stability"]

[FBIS Translated Text] The first annual shareholders' meeting of the Gazprom RAO [Russian Joint-Stock Company], the largest of all Russian joint-stock-companies, has taken place. Preparations had been made long before. After all, Gazprom has a million shareholders. It is a big task even to register them. Stockholders with at least 8 million shares at their disposal took part in the meeting. It therefore succeeded in avoiding the disagreements and misinterpretations which the presence of a scattered mass of small share owners might have introduced.

The report reflected the financial situation of the company, which has a charter capital of 236.7 billion rubles [R]. The balance was confirmed for last year, expressed as the colossal sum of R149,074 billion. The balance profit was R5,488 billion. The amounts are so impressive that one can fully regard Gazprom as a state within a state. The stockholders approved the activity of the company, which has been working stably against a background of production recession in the other segments of the country's economy. At Gazprom, the reduction in volume is expressed in figures that are insignificant for our present rates of recession — only tenths of a percent.

The meeting determined the size of the dividends. They constituted 200 percent on a share with a face value of R10. In all, there are 23,673,512,900 shares. The question of a further increase in the issuing of shares was not posed. The amount of the remuneration for directors of the company who are not representatives of the central organs of federal executive authority was also approved. It was from R30 million to R50 million.

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The staff of the board of directors was expanded. Major specialists and organizers of gas and oil production were elected to it: Vasiliy Aleksandrovich Dinkov, former minister of the Petroleum Industry, Anatoliy Nikolayevich Dmitriyevskiy, doctor of Geological-Mineral Sciences, since 1991 director of the Institute of Petroleum and Gas Problems of the Russian Academy of Sciences, Sergey Stepanovich Kashirov, head of the Avtogaz Joint-Stock Company, and Viktor Dmitriyevich Shchugorev, general director of the Astrakhangazprom Enterprise. It must be assumed that the meeting of the shareholders, who approved all the directions of activity, cemented the giant company even more strongly. This means that Rem Vyakhirev, director of Gazprom, can say with even greater assurance: "What is profitable for Gazprom should be profitable for Russia."

***Zyuganov Visit to China, Remarks to Journalists**

954E1056A Moscow PRAVDA in Russian 8 Jun 95 p 3

[Article by Andrey Krushinskiy, PRAVDA correspondent: "We Have Seen China and Proved Our Worth: Official Ties Have Been Established Between the CPRF and the CPC"]

[FBIS Translated Text] If you measure on a large scale, not a lot of water has flowed under the bridge since the days when the CPSU and CPC were loudly "snarling" at each other all over the world. Both of them were ruling parties, both of them were orthodox: they vied with each other in vowing fidelity to communism and contended with each other as to who would be the quickest to elevate it in his country.

Only three decades have passed, and how everything has changed! The CPC has remained at the helm, but it is no longer holding a course toward communism (which it once intended to build in 15-20 years), but toward "socialism with Chinese specificity," allotting up to 100 years for the process of creating it. The CPSU no longer exists, and its main "successor" — the CPRF — is by no means at the helm. How different and dissimilar these parties are now. It seems, however, that it is now that they can respect each other and have found a common language. Evidence of this is the first official party contact between Pekin [Beijing] and Moscow in 30 years. As PRAVDA has already reported, at the invitation of the CPC leaders, a delegation of Russian communists, headed by Gennadiy Zyuganov, visited China.

After a two-hour press conference which the delegation arranged for Russian journalists accredited in Pekin, my colleagues noted: Zyuganov, whatever they asked him about, invariably shifted the conversation to Russia, and to its present-day woes. For example, this question was heard: "Both in China and abroad, many people now think that, even though the communist party rules here, capitalism is being built, which does not coincide with the ideas that the party proclaims. What is your position?"

"There is no abstract capitalism," answered G.A. Zyuganov. "The oversimplified 'capitalism-socialism' talks which were held before are not applicable to today's Russia. Everything that is happening in our country now is nothing more than a qualitatively new technology for destroying the state. Destruction by the cleaning-out method is in progress. Any state is concerned about the wholeness of its territory and about high-quality technology, and 40,000 highly qualified specialists have just recently been sacked in our country. As for China, intensive reform is being carried out here and new technology and capital are being introduced. Here they follow a realistic, judicious policy, aimed at reinforcing their own national interests."

"What have you to say about the term 'socialism with Chinese specificity'? Do you consider China a socialist state?"

"Any country that is developing its own society has its own specificity. China has found its specificity in realizing the socialist ideal. In my opinion, a great deal in this corresponds to the spirit of China and its traditions. State regulation is at hand, when funds are accumulated and distributed, ensuring a high level of social protection."

This, alas, is today's reality. Whichever of the facts of Chinese life you take, an unfavorable parallel with Russia stands out everywhere.

Crime, corruption. They are increasing as the market activates in China, and they cause no little alarm. But while here, a tough, uncompromising struggle against it has developed, in Russia, as Zyuganov put it, the state structure itself is a "thiefocracy." The "newest technology" of cleaning out the country is being introduced from above. In Moscow and Moscow Oblast alone, 500 superbly armed gang-formations have been registered, but Yerin is engaged in the political investigation and shadowing of Duma deputies.

Agriculture. China still has a long way to go to achieve modern technology. Manual labor predominates in the rural areas, and there is a shortage of arable land and not enough water for irrigation. Nevertheless, thanks to the state's well thought-out policy (of eliminating, for example, the right to private ownership of the land), the population of 1.2 billion people is provided with the goods of domestic production. In Russia, however, as

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V.A. Starodubets, member of the delegation, chairman of the RF Agrarian Union and Federation Council deputy, said at a press conference, for four years running now, a relentless war has been going on, for... the annihilation of domestic agriculture.

The domestic market. After visiting, along with Shanghai, the country's largest city, the "sticks of China" — the province of Henan — the CPRF delegation could not help but be gladdened at the very rich assortment of local shops which could cause envy in any of Russia's oblasts. Moreover, they are filled with domestic household equipment at reasonable prices (two or three-fold cheaper than the imported analogs), while in our country, says Zyuganov, a young family, with rare exception, is not in a position to buy even a television set.

Foreign economic relations. Foreign investments totaling over $100 billion have been attracted to China in the last few years, and are being invested mainly in advanced production. In our country, however, in Zyuganov's words, the heads of government are "going along with the sure thing," cadging $5-6 billion and obtaining that under stiff economic and political conditions. At the same time, moreover, according to Western estimates, $200 billion worth of valuables are being exported from Russia.

Main export. "Our present leaders," Zyuganov emphasized, "feel that the market is uncontrollable, but in China we have seen with our own eyes that market relations can be controlled — and quite effectively."

Although the Russian guests, along with the successes, also saw quite a few problems and difficulties in China, here they emphasized the good supply of optimism.

"From my standpoint, the main thing on our trip was establishing official relations with the Communist Party of China," said I.I. Melnikov, member of the delegation. A mathematician and lecturer at MGU [Moscow State University], he had been invited to give lectures in Mexico, which promised a foreign currency honorarium, but preferred to take the business trip to China: more important for him were ties with the CPC, which he (as secretary of the Central Committee on International Questions) was to put into practice.

At first glance, the partners are seemingly not of equal value. On the one hand, a communist party with a membership base that is astronomical in number (54 billion people), whose leading role in society, just as in our country at one time, is secured by the constitution. On the other hand — the "fragments" of the former CPSU, numbering several hundred thousand people, constitute an opposition party, detesting the present Russian authorities. If the reader considers that in China everything without exception — from state propaganda to foreign interparty ties —has in the last few years been strictly subordinated to the priorities of foreign policy, then he will understand why some six months ago, the author of this article would have regarded as unreal the very idea of the possibility of establishing official foreign relations between the CPC and the CPRF. The present visit can be evaluated as its own kind of "breakthrough," as an act with sensational repercussions, and it is explained in the first place by the growing prestige and influence of the CPRF in our country.

The well thought-out and realistic program adopted by its recent congress and the consistent protection of the interests of the workers and the nation as a whole have made the CPRF the leader, not only of the leftist, but also of the patriotic, truly creative forces of Russia, and are contributing to the rebirth of the unjustly spurned socialist idea. A revealing fact: in over two years of work in Pekin, I cannot recall any instance of such a full "quorum" of Russian journalists at any briefing as there was at the above-mentioned press conference, organized right at the department in the nighttime hours of the eve of the delegation's departure for Moscow. In the morning, when I.A. Rogachev, Russian ambassador, invited the delegation, a couple of hours before takeoff, there were not enough seats in his office for the diplomats that "had come for Zyuganov." The meetings with our Chinese friends also had full audiences — be it the Higher Party School in Pekin or the editors of the newspaper GENMIN GIBAO, a chat in the "freest" of all the free zones in the country — Pudun — or in the provincial "sticks" —Zhenzhou. A meeting with one of the influential officials of today's China, Hu Jin-Tao, member of the Standing Committee of the Politburo of the CPC Central Committee, was, in Zyuganov's estimation, very interesting and frank, and humanely benevolent.

The delegation, along with its already-mentioned popular leaders, also included G.Ye. Gamza, secretary of the Vlagoveshchensk Obkom and coordinator of the Far Eastern organizations, and P.S. Dorokhiv, expert on international questions, and director of a large Moscow trade-financial organization.

The Chinese communists saw, in the person of the CPRF, an authoritative, influential force, attuned to creation and stability, both in the country and in the world, and to genuinely friendly and equal interrelations with Russia's peaceful, friendly neighbor — great China.

Another quite important circumstance. From my observations, in the last few years, as market relations were firmly established, and also because of the break-up of

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the USSR, there has begun to appear in the Chinese mind a lack of faith in the socialist ideal, and suspicion of its "Utopianism" and "inability to function." It is hard to imagine a better "medicine" against such relapses than the contacts, meetings, and talks with this delegation. After staying in China for exactly a week, its members could be convinced of the correctness and fairness of the cause for which they are fighting. They themselves, for their part, charged the hospitable hosts with optimism.

*Tax Police List of Organizations Doing Own Audits

954E1058B Moscow SEGODNYA in Russian 30 May 95 p 7

[Unattributed article: "Rating of the Tax Police; Who Cannot Be Touched Without Permission of the DNP Operative Administration"]

[FBIS Translated Text] On 11 April 1995, the head of the RF [Russian Federation] Department of Tax Police signed an interesting decree, "On Organization of Interaction of the Operative Subdivisions of Federal Organs of the Tax Police." Its basic content concerns the tasks of the DNP [Department of Tax Police] of Russia Operative Administration, which is charged with the task of implementing operative-investigative measures in seeking out persons who have committed tax crimes. Point 3 ratifies the list of objects in regard to which the performance of operative-investigative measures is to be coordinated with the operative administration. The chief of the administration, Mr. Gromov, is charged with the task of reviewing the said list no less than once a year.

In publishing the given list, which is broken down by appropriate areas of administration, we believe that it is of interest primarily as a true administrative rating of Russian commercial structures, regardless of what purely commercial capacities they actually possess.

List of objects in regard to which performance of operative-investigative measures is to be coordinated with the operative administration of the Department of Tax Police of Russia

According to Section I.

Foreign firms (non-residents) engaging in commercial activity on the territory of the Russian Federation through their representations, accredited through the TPP [Chamber of Commerce and Industry] of Russia and the UPDK [unidentified] of the MFA [Ministry of Foreign Affairs] of Russia. Economic subjects (residents) with 100-percent foreign capital.

According to Section II.

Branches of all foreign banks registered in the city of Moscow, the Central Bank of Russia.

Commercial banks (without branches)

1. Vneshekonombank
2. Vneshtorgbank
3. Rossiyskiy kredit
4. Sberbank
5. Agroprombank
6. Moscow International Bank
7. Mezhkombank
8. Tokobank
9. Moscow Industrial Bank
10. Alpha-bank
11. ONEKSIM-bank
12. International Finance Company
13. East-West
14. Inkombank
15. Russian Acceptance Bank
16. Kredobank
17. Mosbiznesbank
18. Promstroybank of Russia
19. Resource-Bank
20. Menatep
21. Metropol
22. Moscow International Commercial Bank
23. Stolichnyy
24. Vozrozhdeniye
25. Imperial
26. Dialogbank
27. Neftekhimbank
28. Unikombank
29. MAPO Bank
30. Presnya-Bank
31. All-Russian Exchange Bank
32. Engineering-Innovation Bank
33. Most-bank
34. Rato-bank
35. Chasprombank
36. Balchug
37. Tveruniversalbank

Insurance organizations

1. Federal Service of Russia for Oversight of Insurance Activity (Rosstrakhnadzor)
2. ASKO-Moscow
3. AstroVAZ
4. Viktoriya
5. Military-Insurance Company
6. Investrakh

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7. Ingosstrakh
8. Nadezhda
9. Nalko
10. Podmoskovye
11. Rosno
12. Rossiya
13. Servisrezerv
14. Aviakos
15. Ivma
16. Medstrakh
17. Energogarant
18. Zasshita

Investment institutions

1. AOZT [joint-stock company of the closed type] "Neftyanoy investitsionnyy dom"

2. AOZT "International Finance-Investment Company 'Russkiy kapital'"

3. AOZT "Evikhon"

4. AOZT "Zhasmina"

5. AOZT "Nafta-Moskva"

6. AOZT "Stock Center of the Military-Industrial Investment Company"

7. IF [investment firm] "LUKoil fund"

8. IF "Moskovskaya nedvizhimost"

9. AOZT "Peteko"

According to Section III.

1. Russian Commodity-Raw Material Exchange (RTSB)

2. Moscow Central Universal Stock Exchange (MTsUFB)

3. Moscow International Currency Exchange (MICE)

4. Moscow Commodity Exchange

5. Firms occupying space on the territory of the Sovintsentr [Soviet Investment Center] and the All-Russian Exhibit Center (VVTs)

6. AO "Kontur"

7. TOO [limited partnership] "Mikrodin-S"

8. AOTK "Mikrodin"

9. AO "Tekhnologiya"

10. AOTK "SAM"

11. TOO "Tverskaya-16"

12. AO "Segard"

13. AOOT [joint-stock company of the open type] "DOM"

14. AOOT "Arteks"

15. AOOT "Arteks-Servis"

16. AO "Prominvest"

17. AO "Dinamika"

18. TOO "Retail"

19. TOO "Dem"

20. AOZT "Balchug"

21. AOZT "Tison"

According to Section IV.

Ministries and their subordinate organizations

1. Ministry of Foreign Economic Relations (MFER)

2. Ministry of Fuel and Energy

3. Ministry of Communications

4. Ministry of Defense

5. Ministry of Internal Affairs

Committees (federal services) and their subordinate organizations

1. Committee on Metallurgy (Roskommetallurgiya)

2. Federal Counterintelligence Service

3. Goskomoboronprom

State enterprises, joint-stock companies

1. State enterprise - Russian Coal Company

2. AO "Almazzoloto"

3. State enterprise "Rosneft"

4. Russian AO "Gazprom"

5. State enterprise "Rosvooruzheniye"

6. RAO [Russian joint-stock company] "Unified Power Systems of Russia"

7. State television and radio company "Ostankino"

Academies

1. Russian Academy of Sciences

2. Finance Academy under the Russian Federation Government

According to Section VI.

Individuals, including foreigners and persons without citizenship, receiving excessive profits (profits on which 30-percent rate on collection of income tax is applied).

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According to Section VIII.

Legal entities and individuals who violate the currency legislation in the sum of $200,000 or more.

According to Section IX.

Individuals declared to be under international and federal investigation.

***Improvement of Existing Taxation Rules Suggested**

954E1080A Moscow KOMMERSANT-DAILY in Russian 9 Jun 95 p 8

[Article by Igor Gorskiy, chief of the tax section, Russian Federation Ministry of Finance Scientific-Research Financial Institute: "Tax Reform: Authorities Facing a Choice"]

[FBIS Translated Text] **Today, the future of the tax policy of Russia is being decided in the government and in parliament, and as yet no singular opinion has been selected. There are various points of view in the power structures, as well as in scientific circles. Even the Minfin [Ministry of Finance] itself and the scientific institutions operating under it do not always agree on everything. In its last review, KOMMERSANT-DAILY reported on how the Ministry of Finance envisions the tax reform. Today the head of the tax section of the Russian Federation Ministry of Finance Scientific-Research Financial Institute, IGOR GORSKIY, expresses his views.**

Tax on Above-Norm Payment of Labor Wages

The tax on exceeding the standard level of wages is a rather crude form of regulating consumption, which in certain degree has been brought about by the lack of development in relations of ownership and hired labor. The contradiction lies in the fact that, on one hand, the tax is collected from the profits on sums included in the production cost, and on the other—it is the enterprise which pays for the individual income of the citizens. Despite all this, the decision to repeal it as of 1996 appears premature due to the acute need at the present time for regulating expenditures directed toward payment of wages, and the lack of sources to fully compensate for the budget losses. In our view, extending the effectiveness of this odious tax for another year (with increase in the standard wage from 6 to 8-10 minimums) is nevertheless the lesser of the evils under conditions of the deficit budget and the tax system which is being formulated.

The fact is that the rather admirable desire to rid the tax mechanism of such a barbarous detail will in fact have the effect of introducing much more barbarous elements of control over the consumption fund at enterprises. Specifically, as compared with Mintrud's [Ministry of Labor's] implementation of the idea of taking away the increase in expenditures of enterprises for consumption (computed per worker), the effective limitation of wages will appear as a harmless prank.

Other variants for compensating budget losses by means of increasing the tax on profits or introducing a tax on the income of enterprises are not rational, since in the first case we would reject the regulation of expenditures for payment of wages altogether, and in the second—breaking up the tax system, we would be introducing into it the vices inherent in taxing the income of enterprises, which we will discuss later.

Since the object of the tax on excess wages is ultimately the individual income, then an increase in the tax on individual income should be viewed as a natural compensation of the losses from the reduction of this tax. Repeal of the tax on above-norm labor wages would require reform of the income tax from individuals: A significant change in the degrees of progression for most taxpayers and an increase in the maximal rate for high incomes. The optimal variant would be to combine the increase in multiplicity of the standard value of expenditures for payment of labor wages with correctives to the procedure for taxing individual income.

We should also couple this change in the income tax with a reduction in the sphere of application of declarations, by means of increasing taxation of income received outside the primary place of employment. However, the increased tax on income "from the side" should not be collected at the maximal rate (40-45 percent), as this would sharply increase the number of cases of "sorting out" with the tax agencies, thereby refuting the idea. Rates of 25-30 percent are quite sufficient.

Income Tax From Individuals

In regard to the income tax from individuals, it is also necessary to examine the possibility of changing over the system of benefits from deduction of income to deduction of taxes. That is, in granting benefits, not to deduct the minimum wage from the income, for example, but to take an allowance from the computed value of the tax on total income and credit it toward the sum of tax due on this minimum. The effective procedure of granting benefits is more favorable to the highly paid: Thus, with a minimum wage of 34,440 rubles (R), the taxpayer who uses only the first step of the tax scale (12 percent) will reduce his tax by R4,133 (34,440 x 0.12), while the taxpayer with a high income who falls into the 30-percent tax bracket will receive a tax reduction of R10,332 (34,440 x 0.3).

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This measure will somewhat increase the budget revenues (at the expense of persons taxed at higher rates) without a clearly expressed increase in taxation. And from a social standpoint this measure seems justified.

The desire to ease the tax burden on persons with low income is fair. However, the proposed method should be considered unsatisfactory. Reduction of the minimal rate to 5-7 percent means the emergence of an additional step in the tax scale, and this means also a notable increase in the complexity of computation.

The problem has a simpler solution: The same effect may be achieved by simultaneously increasing the non-taxable minimum and the tax rate. For example, the minimal rate of income tax is increased to 15 percent, and the worker has the right to deduct from his income the sum of two times the minimum wage (or to make the appropriate allowance from the tax). The problem has a mathematical solution: With the aid of maneuvering the given values of the rate and the non-taxable minimum, it is possible to achieve any pre-determined effect.

The decision to increase the tax on the medium-wage earning categories of the population appears very controversial. Their income should not be the source of compensation under any circumstances. Increasing the relative share of the individual income tax in the total tax revenues and changing the structure of taxation of individuals may not be implemented at the expense of arithmetic permutation of the sums of taxes, but must be based on real changes in the structure of social expenditures and the labor wage.

Declaration of Property of Citizens is Necessary

For purposes of stricter control over individual income, we would like to once again focus attention on the expediency of developing approaches to introducing declaration of property by citizens. Regulated accounting of the increase in personal property is an effective means of control over income. Here we may utilize foreign experience.

The system of declaring property will also create a foundation for the real inclusion of the tax on property of individuals, which as yet has not manifested itself. Trial efforts in this direction may be undertaken already starting in 1997.

Income Tax From Enterprises

The introduction of an income tax from enterprises (tax on income) will not solve the problems of regulating the labor wage, but will plunge the tax system into a new shake-up, and will reproduce in full volume the chaos and stress of tax innovation for the taxpayer and the tax organs. The income tax has its problems (it is no wonder that Ukraine has been struggling for 3 years). Enterprises have experience not only in concealing profits, but also wages. This tax is similar to the NVD [value-added tax] and will give rise to an avalanche of benefits. With the introduction of the income tax, we will lose any possibility of selective tax effect on profits, which will become dissolved in income, and this will reduce the effectiveness of influence on the labor wage. The fiscal result of introducing the income tax will be equal to zero. The regulatory role of taxes will decline. The only result of the innovation will become a colossal organizational confusion and the (temporary) loss of tax control associated with it.

Taxation of Small Business

What we have said above is applicable in full measure to small enterprises, who will have to change over to a "simplified system of taxation and accounting." If in a small business is it very easy to hide profits and even easier to hide wages, then what kind of income tax can be collected from them? A basic flaw in the entire system of small-scale entrepreneurship, including also of the new draft law, lies in the absence of such a criterion of "smallness" as volumes of turnover, without which small enterprises will always be an attractive object for the economic (tax) criminal.

In taxing small enterprises, in the case of difficulty in determining income, it is necessary to use external indicators: Not only number and turnover, but also type of activity, area of buildings, location, i.e., to bring the idea of patents to the end. The taxation of individuals should also be brought closer to this order, making provision for application of the indicator of volume of turnover and payment of NDS.

Flexible Excise Tax Policy

A flexible policy must be implemented in regard to excise taxes. The list of especially tax-intensive goods depends on the specific conditions. Therefore, it is necessary to monitor the situation and to be ready for it to change in one direction or another.

As for the problem of distributing the excise taxes between the federal and regional budgets, in all probability it will be impossible to divide them by individual goods, for reasons of methodological as well as political properties. Realistically, it will be possible to come to agreement with the regions by means of mutual claim and division of all excise taxes.

Infringement Upon the Federal Budget

The reduction in the relative share of the federal budget in the taxes has exceeded the allowable limit. There

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is no country in the world with such a low share of centralized resources. It is necessary to put an end to this tendency by all means and at all levels, and to do everything possible to overcome it. Today the local finance organs are focused on their own local interests, and are not executors of state fiscal policy. The paradox of the situation lies also in the fact that today Minfin must insist on independence of the regional tax organs, since it is specifically their independent federal status which serves as the guarantee of the lawful order of distribution of tax revenues to the budgets. The idea of subordination of the tax and certain other organs to the finance organs, brought to the regional level and in the current situation of widespread legal nihilism, would lead to infringement upon the interests of the federal budget in favor of the regional interests. Consequently, the mutual relations of Gosnalogsluzhba [State Tax Service] and other income-controlling organs with Minfin must be resolved only at the upper level, similar to the way in which this is done with the State Treasury.

Freedom of Taxation in the Regions Will Lead To No Good

The experiment with absolute freedom of taxation (since 1994) on the whole yielded a negative result. The small grains of successful decisions are obliterated by the large mass of dubious innovations. The taxpayer has found himself in a situation of tax lawlessness, since the state has in fact refused to implement a unified tax policy. Therefore, for the regions and self-administrations, we should leave a closed list of taxes and establish limits on the rates: In some regions (Ivanovo, Kursk), the road tax has gone from a rate of 0.4 percent to 2.4-2.8 percent.

It is necessary also to strengthen methodological control over local standard-setting. We are speaking of making the procedure of levying local taxes clear, unambiguous, controlled and prudent. After all, even Moscow has adopted such a tax on advertising which does not exclude crazy situations: There is no advertising, yet there is a tax!

We must keep in mind that the uncontrolled introduction of local taxes wastes the efforts and time of tax officials on inconsequential collections, thereby weakening tax control over "productive" taxpayers.

As we know, all the newly introduced taxes are paid on profits, which gives rise to specific problems. One of them is associated with the uncontrolled tax pressure on enterprises, as a result of which the actual taxation of profits significantly exceeds the maximal tax rate. In this connection, enterprises are inclined to agree with an increase of 2-3 points in the profits tax, but under the condition that all additional taxes fit within this norm.

Another problem is budget-related. The fact is that the new taxes have actually increased the incomes of regional and local budgets. To eliminate these taxes today would mean to reduce their income. Consequently, the question of compensation invariably arises. In other words, once again the idea arises of increasing the tax on profit at the expense of that portion of it which remains in the regions.

Thus, the reformation of the system of regional and local taxation is tied in with an increase in the maximal rate of the tax on profits.

Budget problems are associated with the work of the tax organs also in terms of the following. As we know, the activity of the tax inspectorates is characterized and evaluated, specifically, by the indicator of "coverage" of the enterprises with control. Often, in the race for achieving a high number of investigations, the GNI [State Tax Inspectorates] deal not with those who can be investigated more quickly. In other words, the methods of evaluating the work of the tax agencies must be coordinated with the interests of the budget (sums of revenues).

Extra-Budgetary Payments Must be Reduced

A comprehensive review of taxes and extra-budgetary payments may become an important reserve for developing mandatory payments. An increase in the tax on individual income would lead to an increase in the computed sums of wages and, accordingly, to an unjustified increase in funds. Therefore, we must see the possibility of reducing the rates of extra-budgetary payments. One of the possibilities for their reduction is to change the methodology of computing payments and to close loopholes. There are enterprises where the primary article of expenditure is material aid. As for the sectorial extra-budgetary funds, they must be subjected to strict review regarding their necessity. Moreover, it is absolutely necessary to intensify ten times over the control over expenditure of their funds.

Future Tax Code Requires Thorough Study

Many problems of taxation could be solved by the tax code. The existing drafts require serious study, and therefore the most important task today is the proper organization of this work. We cannot push it off onto individual persons or onto some group of specialists. The code is intended for the taxpayer, and therefore we must maximally take into consideration the demands of practical application, and not flatter ourselves with the methodological orderliness of the

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text. It is absolutely necessary to strictly define the procedure for adopting tax decisions; to coordinate the significance and meaning of edicts, laws, resolutions, instructions, explanations, etc.; to make the life of the taxpayer easier by means of simplifying the legislation, and primarily by reducing the benefits; to reduce the draconian tax penalties existing today, and not bring them up to ridiculous sums which equal half the tax.

We will once again have to speak of the exceptional urgency of creating a unified all-state system of informational provision of the taxpayer and training of tax officials. Here we may envision the mass publication of an inexpensive weekly tax bulletin, the re-printing of instructions, the development of official guides and reference books, the creation of regular tax programs on radio and TV, the inclusion of free consultation services in the responsibilities of the tax service, the provision of increased requirements for the professional and cultural level of tax workers, etc., etc. Evidently, we must create a special federal program of tax informatization, whose realization will become a long-term factor in the growth of tax revenues.

The proposals prepared by the Ministry of Finance of Russia on development of the tax system significantly alter the taxation of profits and income of individuals, reform the system of regional and local taxes, etc. It is principally important that the proposed measures, first of all, fit into the effective model of taxation, avoiding radical decisions and preserving the integrity of the tax system. And secondly, that they not presuppose a noticeable change in the budget income.

***'Law-Abiding' Taxpaying Enterprises Face Difficulties, Closure**

954E1050A Moscow SEGODNYA in Russian 26 May 95 p 3

[Article by Ye. Gotgilf: "Tax Service Drives Enterprises Into 'Black Economy'"]

[FBIS Translated Text] **Law-Abiding Taxpayers Condemned to Ruin**

Ever since the creation of the State Tax Service (GNS), a complicated relationship developed between it and the economic subjects, and it is continuing to grow even more complicated.

On the one hand the GNS is part of the executive power system and must strive to achieve the main declared goal of the government—stabilization of the economy. On the other hand it must strive toward fulfillment of a concrete task, which is to replenish the budget. A number of contradictions, which the GNS cannot overcome, occur along that path, and its actions are therefore becoming increasingly more chaotic and unpredictable.

Every week with trepidation, bookkeepers scan the pages of new issues of EKONOMIKA I ZHIZN and the FINANSOVAYA GAZETA anticipating new surprises. Several monthly magazines are being published to interpret GNS' actions, and KOMMERSANT devotes its surveys to that as well. Dozens of auditing firms have flourished and got busy interpreting the enforceable enactments dealing with taxes for their clients. The activity of the tax service provides material for an entire publishing branch. At the same time the GNS has buried hundreds of small and medium-size business enterprises and pushed numerous large enterprises to the brink of bankruptcy.

Many forms of reporting were legislatively repealed on the eve of perestroyka and the taxpayer took just four pages to the inspectorate. Departments of statistics meekly asked that they be given just one report, but no one paid any attention to them.

In six years the situation changed radically. All organs which receive reports from enterprises and organizations obtained permission to fine those who are disobedient. Workers of the State Committee for Statistics were the last to acquire that right. Since a portion of the fines can be left by the tormentors for their own needs, they want to collect as much in such fines as possible.

That is accomplished quite simply. Reception days at all the inspectorates in the city of Moscow are scheduled twice a week. On those days the inspector must receive reports, settle with non-payers, and answer the telephone. In addition, many of the tax inspectorates have set up a system of duty inspectors and now all visitors are referred to one inspector. At the same time, the others are busy with their own work instead of doing it on the days specially allotted for that purpose. Therefore extraordinary lines develop, along with disruptions and other unpleasantness. Under these conditions many are simply unable to get to the office on time and the fine for failure to submit a report amounts to 10 percent of the calculated tax.

In the first quarter of 1995 enterprises were to have submitted 23 forms to the tax inspectorate. Even without being a payer of a certain tax, the economic subject must complete a form and certify it with a stamp and a signature. In addition to that it is necessary to compile an explanatory note and complete a list of reports being submitted.

The second way of influencing the taxpayer is by exceeding authority. For instance, Mr. Chernik, GNI [State Tax Inspectorate] chief in the city of Moscow,

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in early 1995 issued a directive which prohibited acceptance of annual reports from organizations which have not submitted a report to the statistical organs. Why is an executive of a Ministry of Finance department concerned about a neighbor agency and what is the basis for that? No one knows, but the weary hordes of bookkeepers were forced to rush to the statistical departments where they were welcomed with open arms and financial penalties. The deadline for submitting reports to statistical organs was missed and a fine of 206,000 rubles [R] was levied for the failure to submit just one piece of paper on time. The chiefs of territorial inspectorates took over the initiative of that executive and refused to accept reports without an employment fund stamp (GNI No 29), without a note from the individual income tax division, etc.

Refusal to accept an exemption is a typical case of exceeding authority. The law on the tax system of the Russian Federation delegates the right to determine exemptions granted by law for various taxes to the taxpayer. Tax inspectors often refuse to grant tax exemptions that are substantiated, which in itself is a violation of the law. It is permissible to challenge a claimed exemption only during an audit but not when the report is submitted to the GNI. In addition to that, striving to collect money for the budget at any price, tax inspectors sometimes interpret instructions in an arbitrary fashion and actually strive to eliminate all possibilities of claiming exemptions.

Another trick is the muddling of enforceable enactments. At the present time there is not a single instruction on taxes which does not include published changes and additions. All of the latest additions are also poorly coordinated with the initial text of the instruction. For instance, the instructions on profits tax includes an exemption for non-governmental educational establishments, which allows the exemption of profits from taxation which are used to perfect the educational process, and in brackets there is the notation: "including the remuneration of labor." This small addition exempted non-governmental schools from tax on excess wage payments. A subsequent addition to the instruction, however, proclaims that all categories of taxpayers are liable for tax on excess wage payments. If the mention of labor remuneration was eliminated from the point on exemptions for schools, there would be no one to blame; it was eliminated and that would be it. These words, however, were not removed from the instruction, and presently GNI demands payment of the tax referring to one point in the instruction, while the schools do not want to pay that tax being guided by another point.

Such differences give rise to the miracle of legislation: interpretations by the State Tax Service. These interpretations have the force of legislation and can be referred to as an enforceable enactment. Inasmuch as the GNS leadership is intent on raising fiscal collections, it almost always "refines" tax laws making them more rigid.

In that manner an interpretation of the presidential edict appears on mutual relations between budgets at various levels where it states that value added tax is levied on interest on loans granted by one enterprise to another enterprise. In its interpretations, the tax service demands withholding of tax not on the interest, but on the entire sum of the loan, promising to return that money after the loan is repaid. In other words, in granting loans to a friendly organization, you must contribute to the budget as well. That regulation cannot be called anything but absurd. A tax is either levied or it is not; it cannot be loaned out and then returned. It turns out, however, that if the desire is strong enough, it can be done.

The confusion with budgets at various levels is reminiscent of a Chinese puzzle. Not one practicing bookkeeper will venture to say how the value-added tax or personal income tax should be divided between local and federal budgets. That correlation changes practically every quarter.

The tax service can destroy any wise aspiration of the government. The government expresses the intention of encouraging small business while the tax service makes it practically impossible for the small enterprises to use exemptions.

The government declares protectionism with regard to foreign investments, while the GNS taxes all foreign investments with the exception of payments into statutory capital. Western businessmen, wishing to extend temporary financial assistance to a Russian partner, encounter the need to pay more than half of that sum into the budget of the Russian Federation: value-added tax is 20 percent, special tax is 1.5 percent, and profits tax is 35 percent.

Finally, the GNS is being overcome by a constant desire to borrow. At the present time enterprises, with the exception of small ones, pay advances on profits taxes. If in reality profits prove to be higher than planned, the enterprise must also pay a certain additional amount in the form of interest at the Central Bank rate in addition to the tax, as if the underpaid tax is actually credit from the budget. The budget, however, demanding advance payments, receives interest-free credit and in case of overpayment of the tax, does not pay the enterprise any interest.

In addition to that no one is talking about interest on credit in cases when the tax service withdraws money from a taxpayer's account in the form of fines or

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penalties, and then it turns out to have made a mistake. In such cases they are wildly happy just to get back whatever was taken. At the same time, if the tax service, not the budget, would pay for its mistakes, it would be more careful about imposing fines on such a decisive and broad scale without weighty substantiation.

It is possible to understand that tax service. It must support the revenue portion of the budget regardless of the numerous tax exemptions for entire branches and regions. The Middle Age tax on stove pipes, however, has led not to the enrichment of the treasury but to the appearance of a hut where "black market" fuel is used. In today's Russia an enterprise also moves into the shadows, into "black" economy, not paying any taxes at all or shrinking them by all legal and illegal means to a strictly symbolic level. At the same time, law-abiding entrepreneurs are closing their businesses and dispatching their workers to the unemployment office for assistance.

***Finance Deputy Minister on Tax System Revision**

954E1085A Moscow EKONOMIKA I ZHIZN in Russian Jun 95 No 23, p 1

[Article by Sergey Shatalov, Russian deputy minister of finance: "Changes in the Tax System Are Inevitable"]

[FBIS Translated Text] **That is the opinion of Russian Deputy Minister of Finance Sergey Shatalov, and that is the underlying theme of the draft Tax Code of the Russian Federation—a document which is expected to regulate all tax relations in the Russian society.**

There are usually no problems in defining and understanding the specific principles on which the tax system should be based. I am certain that any reader would have no trouble naming some of these basic principles.

Problems arise when these principles have to be implemented. The complexity and administrative inefficiency of taxation are largely due, for example, to the resistance of taxation (by means of various methods of tax evasion) by the taxpayers themselves. The principle of equality cannot be implemented because of the strong lobbying of individual taxpayers or groups of taxpayers who have united for the purpose of attaining their own goals in the search for more and more new deductions and privileges. This is done in spite of the fact that everyone knows that the privileges of some are made possible only by increasing the tax burden of others.

For this reason, there are no ideal tax systems at this time, and I do not think there will be any in the future, just as there has never been an ideal state or society. Russia is no exception to the rule. In fact, our tax system, which has been in existence for three and a half years, obviously has more flaws than the tax systems which have been operating and developing for decades or even centuries. Furthermore, the defects of our tax system are compounded by the difficulties, errors, and miscalculations of the transition period, accompanied by a wide range of crisis-related problems. In turn, these intensify the dissatisfaction with the tax system in general and motivate the search for fundamentally new ideas.

The present review of our tax policy should lead to changes in the whole system of taxation. Minor adjustments in existing tax laws are being accompanied by the intensive editing of a Tax Code, which should replace virtually the whole legislative foundation of taxation. The draft Tax Code already exists, and we can expect the government to submit it to parliament by fall.

The Russian Tax Code is expected to codify the whole legislative foundation of taxation, which is now scattered among more than 900 legal instruments. It is physically impossible for the average taxpayer (even the most conscientious one!) to find and peruse all of these documents.

Of course, the adoption of a tax code is not the only way of regulating tax relations. There are states where these codes exist—for example, the United States and France—but there are also states which have managed to get along without a tax code (Germany, for instance), and even without a constitution (Great Britain). No developed state, however, could get along without detailed laws regulating all tax matters.

The code has some important advantages: a more comprehensive, orderly, and consistent approach to the regulation of tax relations and greater stability, which is a major problem today. Experience has shown that no other area of law has been plagued by as many amendments as tax law. Frequent changes in tax laws can be extremely irritating for anyone in a tax-related profession, whether it is a bookkeeper, an attorney, or an enterprise administrator. The absence of stability means that the taxpayer cannot make any strategic decisions, or even any short-term plans. Investment projects are out of the question under these conditions.

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Receipts of Taxes and Other Mandatory Fees in Russian Federation Budget System (in trillions of rubles)

Types of payments	4th quarter 1994	1st quarter 1995	1st quarter 1995 in % of 4th quarter 1994
Total receipts	52.1	53.6	102.1
in federal budget	18.4	21.3	115.8
Value-added tax	13.5	16.0	118.5
in federal budget	7.8	9.7	124.4
Excise taxes	2.5	3.2	128.0
in federal budget	1.4	2.0	142.9
Profit tax	17.9	16.7	93.3
in federal budget	6.2	6.1	98.4
Personal income tax	6.8	6.2	91.2
in federal budget	—	0.3	—
Resource use fees	1.8	1.7	94.4
in federal budget	0.6	0.7	116.7

The substantial revision of the tax system in the draft code was inevitable for political, economic, and legal reasons. The adoption of a new Constitution and the redistribution of governmental powers, the heightened autonomy of regional and local government agencies, the problems of budgetary and tax federalism, current economic processes, the establishment of new financial institutions and broader international cooperation, and the changes in the territorial applicability of laws—this is far from a complete list of the reasons to reassess the tax system. In addition, there are the "internal" tax problems—the many "blank spaces," the failure to find satisfactory solutions or any solutions at all to problems in tax legislation, the virtually complete lack of certain mechanisms and procedures and the resulting absence of adequate legal guarantees for the partners in tax relations, and the existence of broad opportunities for the legal or semilegal evasion of taxes.

Revision, however, does not signify a complete change of policy. The tax reform which was launched in 1992 must be continued. This will require decisive, consistent, and well-planned moves. The main types of taxes should be retained. Any move to fundamentally new types of taxes will be extremely troublesome (judging by the experience of 1992) for taxpayers, tax agencies, and the state as a whole. This kind of move could result in colossal budget losses (at least in the first three or four years after the start of the new reform) and probably would not improve the economic climate in the country appreciably in the more distant future either. Another important consideration is the fact that a "tax revolution" will automatically preclude Russia's participation in the GATT and EC (which is striving for the uniformity of tax systems in Europe). It will also rescind all agreements with other states on the avoidance of double taxation and thereby turn Russia into a forbidden zone for foreign investment and international cooperation.

Federal Budget Revenue in 1992-1994 (actual figures in % of projections)

Types of revenue	1992	1993	1994
Value-added tax	101.6	73.8	50.3
Profit tax	114.2	88.7	77.0
Excise taxes	69.1	44.6	22.3
Income from privatization	43.6	122.1	9.1
Resource use fees	76.5	66.5	34.9

The main goals of the tax reform probably should be the alleviation of the tax burden of law-abiding taxpayers

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and the establishment of a stable and uniform tax system in Russia, capable of not only financing federal expenditures, but also securing much of the revenue of regional and local budgets from tax sources of their own.

The total number of different types of taxes should be reduced by the following methods:

—the elimination of "non-market" taxes (the tax on surplus wage reserves and the special tax collected for certain branches of the national economy) and the elimination of all taxes collected for specific programs;

—the elimination of "inefficient taxes," which are either impossible to collect or cost as much (or more) to collect as they are worth;

—the unification of taxes with a similar tax base and the same taxpayers (such as the tax on sales of fuel and lubricants and the excise tax on motor fuel, fees for the right to use natural resources and the excise taxes on crude minerals);

—the gradual elimination of taxes on gross receipts.

If taxes on gross receipts are eliminated, a slight rise in the rates of profit taxes would be completely acceptable.

In the case of all other taxes, the procedure for determining the tax base and the definitions of tax deductions should be more specific. I think deductions with general and all-encompassing titles are inadmissible—for example, the one simply listed as the deduction "for capital investment." Other privileges, such as the "tax holidays" or the special tax rules in certain regions of a single state, simply encourage tax evasion. In general, the results of tax deductions and their effect on taxpayers and the budget must be regulated.

Settlements with the budget could be simplified by eliminating the need for advance tax payments and requiring payment only "after the fact." Experience suggests that it is time to institute a special small business tax.

The legal foundation of taxation requires virtually total revision, including the introduction of several new institutions, such as tax commitments, the planning of ways to secure their fulfillment, and the definition of a new group of tax offenses (crimes and violations), the procedure for trying cases of tax violations, and the penalties for these violations. We should establish the legal framework of such important matters as tax audits, relations with tax agencies, the granting of extensions for the payment of taxes, and tax credits. The establishment of specialized tax courts and the guaranteed protection of tax secrets warrant consideration.

I am certain that decisions of this kind will not only reduce the tax burden in general, but also simplify the tax system considerably and make it more comprehensible. This will have to be accompanied by measures to improve tax collection methods. These measures could include stricter tax controls and tax regulations and the legislative institution of more precise accounting records at enterprises.

***Status of Aviation Industry Enterprises Pondered**

954E1062A Moscow PRAVDA in Russian 6 Jun 95 p 2

[Interview with GosNIPAS Director Candidate of Technical Sciences Leonid Konstantinovich Safronov by PRAVDA special correspondent Aleksandr Ofitserov: "If the Wings of Aircraft Are Being 'Clipped,' That Means That Somebody Needs It—*Why Democratic Reforms Are More Dangerous to our Combat Aircraft Than 'Stingers'*"]

[FBIS Translated Text] *A self-guided missile, tracking a target in the boundless skies with its infrared "eye" piercing the clouds, went off to intercept the target. An explosion erupted. The left jet engine of the Su-25 was smashed to pieces. But the reliability of our attack aircraft is so perfected today that this seemingly tragic encounter with the American Stinger was nothing for it. The aircraft flew after the "kiss" of fire for another few hundred kilometers and landed safely at the airfield.*

Specialists at the State Scientific-Test Range for Aviation Systems [GosNIPAS] are engaged in ensuring the viability of flying craft, and especially their crews. The program list for GosNIPAS includes testing small satellite engines, studying the effects of aircraft on the Earth's ozone layer and a host of other areas. But it is, by and large, a defense facility. Systems that have been developed according to unique technologies are tested here. The "secret" stamp thus locks up a great deal that it would interesting to relate.

[Safronov] I am sorry, but it could happen that a thoughtless policy of fraternization with every Tom, Dick and Harry would soon carry off our defense secrets around the whole world. There are more than enough examples of it. And there is no need to say what the harm to the security of the Fatherland could be from this. Our test range, according to data from the FSK [Federal Counterintelligence Service], was recently visited by three intelligence officers as part of foreign delegations. Many highly important topics in which both a wealth of intellect and and lots of money were invested have ceased to be financed altogether.

[Ofitserov] But nevertheless, Leonid Konstantinovich, what was and is the level of Russian combat aviation as measured on the world scale?

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[Safronov] A question perhaps a little out of my league... Our enterprise is engaged by and large in the ground testing of combat aviation hardware through the simulation of flight conditions. I can state with confidence that the demands for testing that are inherent in the new projects have provided for the rapid development of domestic combat aviation. This was determined first and foremost by the uniform standards that were formulated for the overall technical specifications for the military hardware of the Air Force. I am convinced that the same is fair to say about other types of weaponry as well, since the system of quality control in the performance of testing has always been the strictest.

An analysis of the corresponding documents from the United States and the developed European countries demonstrates the advantage of Russia in this field. The system of control over aviation developments and production meets our standards, perhaps, only in France. Why specifically the French? We will return to this a little later, when we clarify the situation.

[Ofitserov] Fine. We'll begin with the international air shows, to which you have gone more than once. Major purchase and sale deals are obviously concluded there as well. Whatever lofty reputation our combat aircraft may possess, I personally have no doubt that the deciding factor in the selection is becoming, more and more, the strong political engagement of representatives of the importing countries, for example, on the part of the United States. Are any countermeasures by the Russians noticeable here these days?

[Safronov] That is so, but not quite. The air shows are only part of the multifaceted work to sell aircraft and aviation technology. The work should be conducted at various levels, including the presidential. It is well known that the president of the United States himself is actively engaged in advancing American military hardware in the international market, and blocking our trading range in that sphere.

Specialists know that various flight restrictions are imposed at all of the air shows, which do not provide the opportunity to demonstrate the excellent flight characteristics of our aircraft. Russia holds its own air show now. It will open on August 22 of this year in the city of Zhukovskiy near Moscow; Russians and representatives of more than 30 well-known foreign firms will be able to become convinced there, with their own eyes, what domestic aircraft are capable of.

[Ofitserov] Then why have the authorities taken to reform so zealously, dissolving the Ministry of Aviation Industry in the summer and unceremoniously pursuing the hasty privatization of most enterprises in the aviation industry?

[Safronov] The government feels that privatization will bring foreign investment. The monetary stage of privatization will provide substantial income to the state, but I do not know of cases of sound investments in the Russian aviation industry. There cannot even be any. It is simply not logical for Western aviation concerns to assist in the development of their own competitors under market conditions. Their troubles, pardon my reference to mythology, are more visible from the Elysian fields...

[Ofitserov] Coming up, I understand it, is your promised analysis of the French phenomenon?

[Safronov] Yes. There is a powerful state sector in the structure of the aviation industry there, which defines all policy. About ten thousand people manage the sector. These are not just bureaucrats, but major representation at all aviation firms and test ranges. The French hardware thus solidly maintains a state of high flight.

[Ofitserov] We are sinking steadily from the status of a leading air power to importer of foreign airliners into Russia. This process has already begun in civil aviation. Will we really be ceding our "combat positions" as well?

[Safronov] Anything could happen if we don't come to our senses in time. Bluntly and briefly, we have something to protect and people to protect it from. It is shortsighted, to put it mildly, to make the country dependent on imported aviation hardware. The same could be said confidently with regard to the missile and space industry, the production of equipment for the oil and gas sectors etc. Privatization in the aviation industry will lead irreversibly to its break-up, and the conversion of its remnants into appendages of the major world aviation concerns. And here is why.

If we are talking about the level of our combat aviation systems, even during this period of turmoil it is still not inferior to the hardware that is in service with the advanced countries of the world. If we were to look at the quantity, and even the level, of scientific and technical bases and centers, our backwardness is defined not by percentages but by multiples, and not just in relation to the United States. What is going on here? The fact is that the shortage of these capabilities used to be compensated for with centralized management of projects and control over the entire life cycle of the aviation hardware. Having destroyed that, we have lost an important advantage and, as a consequence, the sector has collapsed. We are still living off old reserves.

The executives of many enterprises, having assessed what has happened, are putting themselves into the hands of foreign "partners." What can you do? You cannot let the enterprise perish. Russian aircraft-building

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KBs [design bureaus] (this abbreviation, by the way, is more often taken to mean "commercial bank" today), some of which have united with aviation plants, are installing Rolls-Royce, Pratt & Whitney and Snecma engines and imported electronics on our aircraft as a result. The aviation engine plants are gradually coming under the control of Western firms, while Russian electronics personnel are engaged in the adoption of alien developments for peanuts.

The scientific centers and test bases, indeed everything that supports our own developments, are particularly unnecessary in this process. They are naturally a large impediment for the Western "partners." The corresponding fate is thus in store for them.

[Ofitserov] You mean to say that an inevitable end of flying threatens the aviation scientific and test centers of Russia?

[Safronov] The statesmen, I think sensing here only the social and not the strategic dangers, have worked out a few measures—a series of scientific centers has been created based on TsAGI (Central Aerohydrodynamic Institute), LII (Flight Test Institute), VIAM (All-Russian Institute of Aviation Materials), TsIAM (Central Institute of Aviation Engine Building), and NIIAS (Scientific-Research Institute of Aviation Systems) and test bases. They have been put onto budgetary financing, albeit miserly, although it has not been possible to avoid distortions here as well. The financing of the aviation centers goes not through GUAP (Main Administration of the Aviation Industry of the State Committee for the Defense Industry), but rather through the Ministry of Science. That ministry is obviously unable to have any effective impact on the use of budgetary funding. GUAP itself has been cut back to 80 people, which simply does not permit it to manage the sector efficiently. But the authorities do not particularly fear this. They already evidently regard these structures as dying ones. The process of creating Russian aviation hardware in the shining capitalist future will, as they see it, be self-regulating. It is, however, nothing but self-demolition.

This state of affairs could become irreversible for the test ranges and test centers. They are on specially delineated, quite large territories today. Ours, for example, is about 10,000 hectares in size. The specific nature is such that the employment of dual technologies on the test beds and installations is not possible in the overwhelming majority of cases. They can only be shut down, the test beds broken up, and the production spaces freed up thereby occupied with something else—the output, say, of bedpans or air tanks. But it will be simply impossible to go from the tanks back to the testing of aviation hardware on this site. It will have to be created all over again.

[Ofitserov] All of this brings us down to the seditious idea of the pre-programmed disintegration of the country's economy and its system of defense...

[Safronov] The allocation of budgetary funding is proceeding in quite a strange manner. It goes to enterprises along three different and long paths—the Ministry of Defense (military aviation), GUAP (civil aviation), and the Ministry of Science (scientific research). There is not enough money, and when a family does not have enough money, the head of the household assumes strict control over its spending. That should be done here as well. The money should go only through GUAP. But it must be strengthened, not cut back. Penny wise is more than pound foolish. The aviation industry needs to return to the sector principle of management, and create a full-fledged state aviation concern that would have the necessary subdivisions to unite everything within itself—starting with the scientific idea and ending with the embodiment of the design idea in series production. If necessary, we need not fear nationalizing private enterprises as well. The development of the appropriate legislative base is naturally required first of all. Such a concern should be managed by a structure possessing full authority. These transformations must be realized before the enterprises that are able to keep Russian aviation at a worthy level have finally collapsed.

*Congress of Oil Producers Union Opens

954E1064B Moscow DELOVOY MIR in Russian 6 Jun 95 p 1

[Interview with Vladimir Medvedev, president of the Union of Oil Industry Producers, leader of the Deputy Group, "A New Regional Policy," conducted by Aleksandr Dymkovets, DM correspondent: "Oil Industry Producers Plus Gas Producers?"; date, place not given]

[FBIS Translated Text] **Tomorrow, on 7 June, in Moscow, the 3d Congress of the Oil Producers Union begins its work. According to certain information, it is to be joined to the Gazprom RAO Union at the meeting. What caused a step like this? Aleksandr Dymkovets, DM correspondent, turned with this question to Vladimir Medvedev, president of the Union of Oil Industry Producers and leader of the Deputy Group, "A New Regional Policy."**

"Association with the gas producers is taking place within the framework of the line which we follow to protect the corporative interests of the oil- and gas-industry producers," answered Vladimir Sergeyevich. "We cannot help but coordinate our actions under the

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conditions in which the state has assigned excessive taxes, placing the oil and gas complex under economic conditions in which the sector providing the basic mass of budgetary receipts can scarcely make ends meet.

"On the other hand, we intend, at the congress, to form and offer the Russian government a unified approach to the policy of state protectionism with respect to the oil and gas complex."

[Dymkovets] Protectionism? Not long ago this had the tinge of a swear-word. What meaning are you putting into it?

[Medvedev] Protectionism is a normal phenomenon, which exists in all civilized countries.

You remember the case when there was an uproar about the undesirability of having the American Chevron Oil Company take part in the development of the Tengiz deposit in Kazakhstan? No less than the vice-president of the United States turned up there on an unofficial visit, and the problem was ended.

Here is a clear example for you of state protectionism, which demonstrates that the interest of American oil companies is essentially the interest of the United States of America.

We are convinced: the economic interests of the oil and gas complex absolutely must be taken into consideration when Russia shapes its state foreign and domestic policy.

[Dymkovets] Be a little more specific, if you can.

[Medvedev] We feel that the government should follow a more rigid policy with respect to, let us say, Ukrainian debts to Russian oil and gas producers. Yes, we know that there is a serious economic crisis in Ukraine. But then we must solve the problem of our acquiring shares in the Ukrainian enterprises and oil pipelines which, as it stands, are working closely with us.

Strictly speaking, this sort of line has already been planned with respect to Polish oil refineries — since Vice-President Oleg Davydov's recent visit to this country.

[Dymkovets] All right, these are, so to speak, your wishes. Are you sure, though, that the authorities will respond to them with understanding — particularly after the parliamentary elections. After all, radical theoreticians of various colors, extremely far removed from industrial problems, may win them.

[Medvedev] I do not think that this will happen. The objective situation in the country is such that centrists, conservatives and pragmatists should come to power. The days of the theoretician-rhetoricians have ended. They know only how to destroy, not how to build or create.

You know, in Russia, in order to reduce a troika of horses to complete obedience, you take the shaft, you steam it, scarcely bending it, and then you tap it out. Like this — a hundred times. If our neo-revolutionaries try to bend it in one go, there will be neither shaft-bow nor shaft — just the fragments. It is then that Mother Russia will bolt. And no one wants that now.

[Dymkovets] Your attitude toward the movement, "Our Home Is Russia" [Nash dom — Rossiya], founded by Chernomyrdin. After all, it too is counting on the regions, just like your deputy group?

[Medvedev] Well, in the first place, everyone is trying to count on the regions today: communists, Zhirnovists, Yavlinists....

We, however, are not counting on anyone. We are also representatives of those very regions. That is where the difference lies.

As for Viktor Stepanovich Chernomyrdin, I have known him for a long time — as far back as Orenburg. He is a sober-minded, practical person, who is doing a great deal to straighten out the present economic situation in Russia. His striving to unite the centrists can only be welcomed. Without a strong center, the radicals will again drag us into the swamp of political confrontation and dashing from side to side.

*Duma Hearings on Aluminum Industry Status

954E1055A Moscow DELOVOY MIR in Russian 2 Jun 95 pp 1-2

[Interview with Sergey Burkov, chairman of the State Duma Committee on Property, Privatization and Economic Activity, conducted by Boris Krotkov, DM political correspondent: "Will Russia Retain the Aluminum Industry for Itself?"; date, place not given]

[FBIS Translated Text] **International monopolies are getting their hands on capacities for the production of Russian "wing metal." The Western press writes openly about this. One could have heard about this at the parliamentary hearings held on Tuesday, the subject of which was defined in this way: "The State of Privatization in the Aluminum Industry." Two State Duma Committees conducted the hearings — on Property, Privatization and Economic Activity and on Industry, Construction, Transport and Power Engineering. Boris Krotkov, DM political correspondent talks about the results of the hearings with Sergey Burkov, chairman of the privatization committee.**

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[Krotkov] What prompted the holding of hearings on this precise problem and, let us say, not on the problem of privatizing the steel-founding industry?

[Burkov] There were several reasons. We are very worried that, after privatization, the aluminum industry will affect the state of the Russian economy. To make my words clearer, I will say: it worries us — is the aluminum industry working for the good of Russia? What is the basis for our alarm? Today five or six companies, with the considerable participation of foreign capital, control the aluminum market inside Russia and the export of aluminum. This is the first thing. The second: too many events of a criminal nature are taking place around the aluminum sector. Finally, there is one more reason: signals are coming in about violations of the rights of the owners at privatized aluminum enterprises. This must also be investigated.

[Krotkov] If you do not object, Sergey Vasilyevich, let us digress from the subject of the hearings for a minute. Let us talk about the state of the sector and about its prospects. I am sure that these questions will be of direct interest to the DM audience.

[Burkov] In this case, I too will make a small digression. About 20 million tonnes of aluminum a year are produced in the world today. In first place among the countries is the United States — 4 million tonnes, and in second place is Russia — 3 million tonnes. With respect to consumption, however, we yield not only to the leading powers, but even to Greece and Venezuela. After all, the level of aluminum consumption determines a country's level of progress and economic growth. Where does our aluminum go? For export. Up to 80 percent. This is the first special feature of our aluminum industry. The second special feature is the fact that Russia provides only 40 percent of the production with its own resources (alumina). We even take raw material from Australia.

Now for the essence of the question. In January-April of this year, the sector's production volume held at the level of the end of 1994. At the same time, there was an essential change in a number of factors determining the developmental trend. A gap between the prices for metals and for alumina was noticed on the world market. This signified a shortage of this raw material. Experts say that it will hold out until the year 2000.

[Krotkov] Let us turn to privatization. What are the results of the first stage?

[Burkov] From the documents presented at the hearings, it was clear that all the enterprises of the aluminum sector have been reorganized into AO [joint-stock companies] of the open type. In general, the second variant of the benefits was chosen, with the collectives acquiring 51 percent of the shares. Commercial structures, banks and check funds also showed interest in acquiring shares. For example, the Russkiy Kapital AO acquired 10 percent of the shares of the Krasnoyarsk Aluminum Plant AO, and the Zalogbank Joint-Stock Bank — 10 percent; the Rusalka TOO [limited liability partnership] acquired 35 percent of the shares of the Volgograd Aluminum Plant AO; etc. Most of the enterprises, however, have not yet sold bundles of shares amounting to 15-20 percent.

[Krotkov] When listening to the speeches of the directors of the sector at the Duma on Tuesday, I came away with the impression that they had a very favorable evaluation of the results of privatization.

[Burkov] And they have definite grounds for that. But there are quite a few negative results here as well. Above all, the efficiency of managing the enterprises, the production standards and the technological discipline have gone down, and as a result, so has the overall efficiency. The anticipated sizable investment of capital from major foreign companies and banks, with the aim of acquiring shares and also of renovating the enterprises, has not taken place.

[Krotkov] I am forced to interrupt you, Sergey Vasilyevich. In the beginning you said that foreign capital was almost controlling the aluminum market in Russia. How am I to take this now?

[Burkov] Just as I said. A few companies, registered in Monaco, England, Israel and the United States, really do have the potential to control our aluminum market and influence Russian export, which they are doing, in taking part in organizing sales of alumina to us and in the sale of the finished product abroad. They are not providing the money to develop the sector. These companies are typical speculators, but are in no way major structures. Meanwhile, their presence in the Russian aluminum business is pushing serious partners away from us.

[Krotkov] Could you name at least a few of these... middle-men?

[Burkov] They are Trans-CIS-Commodities, Trans Ural-Metals, Mirabel.... They are the ones in general, who supply us with "their own" raw materials.

[Krotkov] Society is talking a lot about the fact that a particularly large number of disgraceful things are going on in the aluminum business. The law is nearly always violated. The criminal element feels free. Using the imperfection of the Russian legislation, and the lack of coordinated actions on the part of the law-enforcement and other agencies, swindlers of all hues are doing

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tremendous damage to the country's economy. How is this manifested specifically?

[Burkov] It can be seen from the documents that competent agencies presented at the hearings that the most widespread violations of the law in this sphere remain the illegal financing, by criminal structures, of legal persons, who take part in privatizing the aluminum enterprises, understating the value of processing the products when concluding contracts with foreign firms and withdrawing sums of money from the incomes of the enterprises, obtained from operations with metal.

[Krotkov] Now, however, they say, a situation has formed in which goods can be exported even without paying customs duties when raw material "supplied by the customer" is used This is heaven on earth for swindlers. By the way, where is the criminal situation particularly alarming?

[Burkov] In Krasnoyarsk Kray and Sverdlovsk and Kemerovo oblasts, according to MVD [Ministry of Internal Affairs] information presented at the hearings. Fifteen criminal proceedings were instituted for the Krasnoyarsk Plant against persons who had tried to steal metal.

[Krotkov] I understand that so far no legal actions have been taken and that they cannot enter the verdict: thief. All the same, give us at least one example or other of the way they are robbing Russia by plundering the aluminum.

[Burkov] In this case, I will cite the information on a criminal case transferred to us from the RF MVD. Here, in particular, is what was reported in it: Preliminary investigation on criminal case No 117414 established that in 1992 the foreign firms Trans-CIS-Commodities, Trans-[Ural] Commodities and Mirabel, created by a group of persons who were former citizens of the USSR, headed by the Chernyy brothers, concluded contracts with Russian industrial enterprises, in particular, with the Achinsk Alumina Combine and the Krasnoyarsk, Novokuznetsk and other aluminum plants. In accordance with these contracts, in most cases the above-mentioned foreign firms were paid through a figure-head structure, through funds obtained as the result of swindling operations with bank documents. Therefore, it says in the information, in 1992-1993, over 7 billion rubles [R] were embezzled from the funds of the RF Central Bank. I emphasize, this dates back to 1992 and 1993, when prices were no match for the present ones. Where did they spend the money? Part of it went to pay the contracts with the sector's enterprises and part was converted into freely convertible currency and transferred to foreign banks.

[Krotkov] But this is ancient history.

[Burkov] There is a more recent case. Last year the agencies intercepted the movement of over $890,000 worth of aluminum across the border.

[Krotkov] Two more questions. On the basis of the hearings, what do you recommend? In your opinion, what should be the second stage of privatization in the aluminum sector?

[Burkov] The purpose of the hearings was to lift the curtain on the situation. We did this. A tremendous amount of material was gathered. Now it must be correlated, and the conclusions sent to the president, the government and parliament. The conclusions will obviously be the following: in the cases in which the legality and course of the first stage of privatization was violated — restore it, nullify the illegal transactions. The Duma is to pass a number of necessary laws. As for the second stage of privatization, it is not worth rushing this in the aluminum industry.

[Krotkov] But I heard with my own ears the appeals of the "aluminum kings" precisely to hurry up the completion of privatization of their sector. They gave as the reason, in particular, the fact that the treasury needs money. Or did I not quite understand something?

[Burkov] You understood them correctly. Goskomimushchestvo is sticking to this position. I however, as I said, hold to a different point of view. Only about 20 percent of the value of the enterprises has not been completely privatized. Will there be large profits for the treasury? Look, Russia may lose this sector completely. After all, the possibility is not ruled out that the ones who will think least of all of investing in the Russian aluminum industry will buy up this 20 percent. They will do this for other purposes. At least we cannot help but foresee this outcome. We must not!

*Draft Legislation on Raw Materials, Metal Ores Planned

954E1049A Moscow SEGODNYA in Russian 26 May 95 p 4

[Article by Natalya Krotova: "Government Has Taken An Interest in the Raw Material Base; After Re-Appraisal, Active Reserves of Metal Ores Will Decline by 30-50 Percent"]

[FBIS Translated Text]

[Begin boxed material]

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BASIC PROPOSALS OF MINEKONOMIKA [MINISTRY OF ECONOMICS] PRESENTED IN THE DECREE, "ON DEVELOPMENT OF THE ORE-RAW MATERIAL BASE"

The following recommendations are presented to the Government:

—To define the order and amounts of payments for use of mineral resources with consideration for the technical-economic conditions of developing deposits;

—To develop conditions for expenditure of voluntarily formulated sectorial funds, as well as measures for repaying indebtedness of the federal budget for the 1st quarter;

—To define the quarterly limits of budget allocations for emergency work within the limits examined in the budget;

—To determine the amounts of allocations for geological survey work on reproduction of the mineral-raw material base for ministries and departments;

—To support projects for attracting deficit raw materials of foreign countries.

[End boxed material]

The state intends to prevent the impending crisis in the ore-raw material base of domestic metallurgy by means of changing the regulation of investment processes. In the nearest time, a meeting of the Commission on Operative Questions under the RF [Russian Federation] Government will be held, at which the government draft decree, "On Development of the Ore-Raw Material Base of Metallurgy," will be discussed. At the present time, interested ministries and departments are holding consultations and conferences, formulating the principles of the draft. A series of discussions was opened with a meeting of the collegium of the RF Minekonomika, and in the nearest time will be continued through analogous measures in Roskommetallurgiya [RF Committee on Metallurgy].

At the Minekonomika collegium, speakers did not make particular appeals to state preferential benefits, and generally proposed solving the problem of financing the mining enterprises through a more sparing fiscal regimen. The general director of the AOZT [joint-stock company of the closed type] "Uchalinskiy GOK" (Bashkiriya), Anatoliy Khmelev, proposed not collecting the tax on property from underground mines which have not been placed into full operation, moderating the fiscal interests of local authorities who are establishing new taxes on the mining of by-product rare earth elements, and creating an investment fund for the development of the raw matrial base.

One of the main problems of the raw matrial complex is the reduction in the volumes of geological-survey work. Today the new owners of Russian processing enterprises, in order to reduce the production cost of their products, are forced to create formal and informal financial-industrial groups with a full technological cycle of production. In some cases, the geographic location of the combines leaves no other choice but to develop new deposits. At the same time, a large part of the enterprises supplying raw materials (Ukraine, Kazakhstan), after the disintegration of the USSR, have found themselves outside the boundaries of the homeland. The representatives of Minekonomika's Metallurgy Administration proposed appealing to Roskomnedra [RF Committee for Geology and the Use of Mineral Resources] with a request to re-appraise the reserves of the deposits of each metal, and to exclude from the state balance the reserves which are unprofitable for objective appraisal. According to the estimates of experts, in this case the "active" reserves of ores of ferrous and non-ferrous metals would decline by 30-50 percent.

*Machine-Building Union President Silayev on Sector's Future

954E1049C Moscow DELOVOY MIR in Russian 27 May 95 p 9

[Interview with Ivan Stepanovich Silayev, president of the International Union of Machine Builders, conducted by DELOVOY MIR observer Leonid Pleshakov: "Relying on Our Own Efforts and Sharpness of Wit"]

[FBIS Translated Text]

[Correspondent] First of all, Ivan Stepanovich, we would like to briefly learn what the union which you head up represents, who its members are, what rights the participants have, and what their duties are?

[Silayev] Our union is an association of over 60 enterprises in the machine building sectors, located in Russia as well as in the near and far abroad. I will name the most well-known ones: The Gorky and Ulyanovsk Automobile Plants, the Dnepropetrovsk "Yuzhmash," the Sumy Petrochemical Equipment Association, the Minsk Tractor Plant, and the Kazakhstan "Tselinogradselmash."

We have been joined by some enterprises in Moldavia and the former Baltic republics. Among our founding members are the "Siemens" concern, Inkombank and two other small Russian commercial banks, and two insurance companies, one of which is Swiss. We welcome to our structure those who can function successfully without state support and without budget funds, relying only on their own efforts and sharpness of wit,

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within the framework of those laws which are currently in effect in the country.

[Correspondent] What is the goal of your union?

[Silayev] I do not want this to sound too loud and self-important, but the goal of our union is to help Russia to raise the qualitative level of its machine building. We must honestly admit that we have greatly fallen behind, especially in the field of electronics. Moreover, not only in civil electronics, but also in that used in the defense industry. With the exception, perhaps, of certain directions: In aviation, for example, and cosmonautics. And today we are ever more often relegated to the category of the purely raw material countries. In the two years that I worked in Brussels as the Ambassador Extraordinary and Plenipotentiary to the EEC [European Economic Council], all the negotiations which I had occasion to conduct with the Western partners centered around the problems of raw materials, but not once was a single position on machine building discussed.

[Correspondent] But at one time, it was believed that we successfully traded in automobiles from the Volga Plant...

[Silayev] Today the trade in VAZ automobiles in Europe has practically been discontinued. On one hand, they do not meet the European ecological standards. On the other—there they always considered the "Zhiguli" to be a poor man's car, and even in the form in which we exported them, despite the cheap price, they did not sell. I had occasion to see lots with thousands of our brand new "Zhigulis," which were waiting their turn to be brought to a more or less acceptable appearance at joint enterprises. Now even these operations do not help.

The fact that we have greatly fallen behind is not news.

The problem is how to bring our machine building out of this hole.

[Correspondent] Will your union not become akin to the USSR Council of Ministers Buro of Machine Building, which you headed up in the Ryzhkov government with the rank of Deputy Chairman of the Council of Ministers?

[Silayev] No, we do not intend to repeat the experience of the former buro. We are closer to the guilds and corporations which existed in Russia before the revolution. Our union was initially conceived not as an administrative superstructure over someone or something. It is a public organization, whose goal is to promote the successful work of enterprises, the formation of contacts with partners, not interfering in their work in the administrative plane. Our union is a sort of club of colleagues, in which each one may receive sound advice and consultation, and find support. At the same time, we pursue a line not toward support of the enterprise as such, but toward support of a certain program of the enterprise. We select these programs and conduct a qualified expert evaluation. If they seem realistic and promise tangible income, we recommend that the Inkombank finance them. And our apparatus, including the president, will ultimately consist of 21 persons. However, at the present time there are only 8 members.

[Correspondent] Are there those who are eager to join your union?

[Silayev] Yes, there are many who want to join it. But we are being cautious, because we want to get a good result with a small number of members. If our work proves to be sufficiently effective, we will gradually expand.

[Correspondent] Today the desire for cooperation of enterprises of new independent states, former union republics, is becoming ever more apparent. As a man who worked for 2 years as Ambassador of Russia to the EEC, have you had occasion to see something similar in Europe? If so, what lesson should we primarily draw from the Western experience?

[Silayev] Perhaps the main thing we should learn is the ability to agree to compromises and to be deliberate. After all, the Europeans moved toward their current economic community for almost half a century. They began with the European Association of Coal and Steel, when problems arose with sales and it was necessary to come to agreement on quotas and prices. Then the Energy Community emerged, and later one on atomic energy. The sectorial associations gradually grew into the Common Market, and so forth. Other states gradually joined the founder countries. This was a path of continuous compromises, in which states with a different level of economic development, a different political arrangement and different national traditions sought and found the solutions to difficult problems. Yet, despite their differences, they nevertheless knew how to come to agreement.

[Correspondent] And so—everything there is wonderful and remarkable?

[Silayev] There is much there that is prudent, but I would not paint everything in the superlative. I saw the clumsiness and awkwardness of their system. In order for the executive body of the EEC to adopt some decision on some specific agreement, even one which is clearly understandable to all, it is necessary to collect the signatures of all 15 EEC member countries, and the parliament of each country must coordinate and approve each position of this agreement, and each one

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has so many articles. Democracy has been taken to the extreme: If one country does not agree with something, the decision is not adopted. However, such a structure suits them.

[Correspondent] And how are the EEC's relations with Russia being formulated? Some affirm that it is being subjected to discrimination...

[Silayev] Naturally, they are not waiting for us with our goods. This threatens their own producers, their national interests, and would lead to the loss of jobs for their citizens. At least, in theory. But that is not the point. The agreement with the EEC which was signed by the Russian President last summer contained a point dealing with the regimen of mutual favored status, so that the level of customs duties imposed upon our goods exported to Europe fluctuates from 3 to 7 percent. We, on the other hand, charge a duty of 30 percent on automobiles which are imported to our country!

[Correspondent] But what prompted the talk of discrimination against Russia?

[Silayev] I believe the impetus for such statements was the incident with aluminum. For many years, this metal went in our country primarily for the defense, aviation and space industries. Moreover, all the aluminum rolled stock went to the Ministry of the Aviation Industry [MAI]—1.5 million tonnes a year. The MAI was the monopolist in this matter.

When the production of aircraft and other defense products dropped sharply, Russia's domestic demand for aluminum also declined drastically, and the metal from the non-ferrous metallurgy enterprises poured onto the European market. In 1990 we sold 90,000 tonnes of aluminum, and by the end of 1992 we had spontaneously turned out already half a million tonnes. Since the USSR had disintegrated, there was no longer an organization to regulate this flow. And everyone who had access to the metal shipped it abroad.

[Correspondent] Did they greatly knock down prices?

[Silayev] When there is such a great amount of metal, even a slight difference in prices does serious harm. The French enterprises especially suffered.

Our Western partners began to signal possible complications already at the beginning of 1992: They issued an official warning that we should regulate the export of aluminum. And when we did not react, they went to harsher measures. Although, of course, how are we to view this "harshness?" For practically a whole year they tried to persuade us, and when they understood that in 1993 we were ready to surpass the level of the past year, selling already 300,000 tonnes by August, they set a quota: Until the end of the year we were permitted to supply only 60,000 tonnes.

I might add that an interesting principle operates in the West: The sanctions for exceeding quotas are levied not against the one who supplied the goods to the market, but against the one who produced them. So that these 500,000 included also those tonnes which had been exported to Europe by the Baltic states, and specifically Estonia.

And this is prudent...

[Correspondent] Why?

[Silayev] Because it closes off the possibility of any export trickery. After all, it is just as bad for the world market, regardless of where the non-quota metal is supplied from. They say to us: When you conclude a contract for shipment of aluminum to Estonia, the contract must include a point prohibiting its re-export. Estonia does not have quotas on the export of aluminum, and that means that it must itself consume the metal which it buys from us.

[Correspondent] And what was the outcome of all this hullabaloo?

[Silayev] The Western partners ultimately met us halfway and demanded that we not reduce the export of aluminum, but rather the volumes of its production. Moreover, we agreed that the production of aluminum would be reduced by all countries in a certain proportion, and thus everyone's losses would be equalized. But by that time we had already reduced the smelting without any recommendations. Thus, the economic ruin helped us to fulfill an international obligation.

[Correspondent] And if we had not listened?

[Silayev] We could not do that. There everything is thoroughly taken into consideration. Upon crossing the border, goods must be declared. The informational system there is organized brilliantly: It does not matter where you have brought your goods—to England, Germany, or Belgium—all the data go to the information bank for all of Europe. If you have used up your quota—this is noted there. If you have surpassed it by even one tonne—it is considered contraband. Because contraband is not only secret shipments of goods, but also any excess over the quota. Yet we simply do not want to understand this.

[Correspondent] And are the Western partners protesting against our high customs duties on automobiles being imported into Russia?

[Silayev] No. For the present time, they are not: The volumes are small. We ourselves should be protesting against this, because this is our misfortune. To benefit

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the producer, we have introduced high customs duties on makes of automobiles from Germany, Italy, Sweden, and France, believing that by this means we will be able to protect our own automobile plants against competitors. Of course, from the standpoint of the plant director this is good. But let us look at what is happening on the consumer market. No one has figured its volume. We are producing around 1 million passenger cars a year, but we need about 6-8 times more than that.

[Correspondent] What should we do, in your opinion?

[Silayev] First we must define our market. What and how much we need, and what is lacking. We must conclude contracts with the automobile producing powers, issuing appropriate quotas for import with reasonable duties. It is through such a policy of controlled import that we should create a competitive situation, which would influence the level of quality of our automobiles.

Exactly the same scheme must operate also in our aviation industry. We have aircraft which are not inferior to foreign models: The Tu-204, the Il-96. Naturally, we must attract investments to enterprises which produce them. We must protect them against Western competitors. But at the same time we must make volume-controlled purchases of aircraft from foreign firms. Without competition we will ruin our aviation industry.

The same is equally true also of other sectors of machine building. Especially those which stand on the leading edge of scientific-technical progress. The economic crisis which our country is currently experiencing hits hardest at the machine building sectors, because they stand at the very end of the production chain from ore, the raw material, to the finished product—machines and production tools. Therefore, we must help machine building in first priority order. Therein lies our future.

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National Affairs

Lavrynovych Hits Rada Action on Crimea

954K0607A Kiev MOLOD UKRAYINY in Ukrainian 30 May 95 p 2

[Interview with Oleksandr Lavrynovych, deputy chairman of the Standing Parliamentary Commission on Questions of Legal Policy and Judicial and Legal Reforms, by Volodymyr Oliynyk; date and place not given: "Crimea as a Mirror of the Ukrainian Parliament: 'The Interests of Our Citizens Must Be the Basis of Everything' "]

[FBIS Translated Text] **As we know, before the holidays, the Ukrainian parliament gave the Crimean parliament its last chance to save its political face by carrying out the proposal of the Supreme Council of Ukraine to bring its legislation into conformity with Ukraine's laws and, moreover, rescind its decision to conduct a Crimean referendum. However, the Supreme Council's decision itself raises doubts regarding not only its legitimacy but also its desirability. This is the subject of our commentator's conversation with Oleksandr Lavrynovych.**

[Oliynyk] Is it fair to say that the reason for the haste with which the decree concerning Crimea was passed was a desire on the part of the Ukrainian parliament to "help" President Leonid Kuchma of Ukraine before his trip to Minsk to attend the CIS summit?

[Lavrynovych] I do not think that this was the main reason for the decree that was passed and the manner in which it was passed. Rather, it points to something else — to the political machinations that are under way within the Supreme Council contrary to the national interests of Ukraine and the laws that are in force in the state. In my opinion, this decision is not only inaccurate [as published] from the legal standpoint, but also demeaning to the parliamentarians, inasmuch as this was a step that nullified much of what had been accomplished thus far with such difficulty to solve the Crimean problem.

[Oliynyk] Briefly put, what exactly are you referring to?

[Lavrynovych] First and foremost that starting from the fall of last year we did our utmost step by step to bring the workings of the Crimean autonomy into maximum conformity with the requirements of Ukrainian legislation and the Ukrainian Constitution. Let me remind you that a number of decrees and laws were passed on 17 March that in particular revoked the law on the division of powers between the Supreme Council of Ukraine and the Supreme Council of Crimea because it did not comply with the Ukrainian Constitution and the laws of Ukraine. Yet, following the passage of the last decree on this question at the evening session of the Supreme Council [of Ukraine] on 25 May, the Supreme Council of the autonomy is being told to draft its constitution on the basis of this very same, already revoked, law!

[Oliynyk] Oh, these, as they say in Odessa, are two great differences. Would it not be more correct to require that they act on the basis of the law on powers...

[Lavrynovych] You are talking about a different approach to adopting the decree. I am saying that the decree was passed on the basis of the law on the division of powers, and it is being proposed to the Crimeans to do something on the basis of... a nonexistent legal act — not just an act that is not in force, but an act that has been revoked.

[Oliynyk] In your opinion, why was this done? It is no secret — the radio broadcast confirms this — that Oleksandr Moroz "fought" very hard for this decision.

[Lavrynovych] It was not that he insisted on precisely this decision. I would say that he handled it very skillfully — to give him his due. However, he did accomplish his goal, completely disregarding all procedures and rules. He did so, let me stress, with his characteristic cunning in that without placing it on the agenda, without any discussion of the issue, and, moreover, without presenting any text whatsoever, he announced the proposal and the deputies voted in favor of it. The deputies were bought over by the first two points of the decree, which are quite normal.

On the other hand, you were right in asking about the law on powers. More than five days have already passed since this law was passed and since the corresponding decree was passed, yet the chairman of the Supreme Council has still not signed these documents — neither the law, nor the decree. Yet this is the law that unambiguously resolves the question of Crimean autonomy; the same applies to other matters as well, in particular with respect to the Procuracy General and to defining the law on the budget system more precisely. Hence the understandable attempts to settle the above questions before the law on powers enters into force and its norms begin defining the manner in which all issues, including political ones, are to be solved.

[Oliynyk] Do you think that the Crimean parliament will react to this delay?

[Lavrynovych] I think that the chances of my being wrong are very slim, because the Crimean parliament will react to this decree in the same way as it reacted to all earlier decrees. If the examplars for conducting the referendum — both the all-Crimean one and the consultative one — are already approved, it will simply not "take notice" of this decree as was the case in the

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past. And without clear-cut and consistent steps, which Ukraine's executive and legislative branches should be taking, it will be very difficult to solve the problem of government on the peninsula.

[Oliynyk] What steps should these be?

[Lavrynovych] First and foremost, it is necessary to revoke those normative acts and decrees of the Crimean parliament that contradict the legislation of Ukraine. This is the Ukrainian parliament's job. All subsequent steps need to be agreed upon, depending on the situation on the peninsula and in Ukraine. But everything must be done to ensure that the decisions that are taken solve the most acute problems of those who live on the peninsula. So that this is done in the interests of the citizens of Ukraine who live there and not in the interests of a small group that is represented in the Crimean parliament and which frequently defends the interests of corporate groupings or of another state (Russia), which through its structures is trying to influence the course of events in Southern Ukraine.

That is, the interests of the citizens of Ukraine must serve as the basis of the next steps.

Executive-Legislative Conflict Unresolved

954F2399A Moscow NEZAVISIMAYA GAZETA in Russian 23 May 95 p 1

[Article by Vladimir Skachko under the rubric "Ukraine": "Leonid Kuchma: 'There is No Collaboration of the Executive and Parliament'—*The State of Dual Power is Preserved*"]

[FBIS Translated Text] The discussion last week by the Ukrainian parliament of the Law on Power confirmed the existence of two mutually connected vectors in contemporary Ukrainian political life. There remains a sharp confrontation between presidential power and the parliament, where the leftists do not have a solid majority but can block any constitutional resolution that does not suit them. Executive power, today controlled by the government and vertically subordinate to parliament through the soviets at all levels, is thus operating in parallel. It has become impossible to create an overall executive power center, able to pursue a policy of reforms and assume responsibility in its entirety for the development of events. The proposed power law is meanwhile to be adopted by a constitutional majority, since it is to replace the old Constitution before the adoption of a new one.

The tone of the discussion was set by the leaders of the executive branch right from the start. Parliamentary speaker Oleksandr Moroz announced from the parliamentary podium on Tuesday, May 16 that "The absence of rudimentary control over the activity of the Cabinet of Ministers, individual ministries and agencies in the oblasts and rayons, and the exactingness and discipline that have been lost at all levels, are being covered up by declarations of inadequate executive authority." This was perhaps the sharpest statement by the speaker over the entire confrontation, and President Kuchma, as it were sensing the development of events ahead of time, refused to visit the parliament and preferred a trip to various regions. He declared the next day in Poltava Oblast, "There has been no collaboration of the executive and parliament, and I fear there will not be."

The work behind the scenes by the presidential team to create a pro-presidential bloc among the deputies, however, was evidently not in vain, and parliament took the path of seeking out compromise rather than confrontation nonetheless. The deputies waived closed discussion on May 18 and began working on the law as a whole.

The leftists have customarily accused Kuchma of seeking authoritarianism and the destruction of representative power, with the subordination of the judicial and law-enforcement bodies entirely to himself. They have also not concealed very well the main cause of their disagreement with the law. The leftists have an elemental fear of the concentration of executive power in the hands of Kuchma, since they see him not only as a gravedigger of Soviet power but also a proponent of reforms.

The dead end into which the country has gotten, however, developing according to old scenarios, had become apparent even to the left-leaning agrarian deputies. When a proposal was announced in the name of Kuchma to waive the right of the president to disband the Supreme Soviet and the right of the deputies to vote to impeach the head of state, this mutual concession tipped the scales and proved decisive. The power bill was accepted as a whole. The compromise that was reached was also strengthened by the proposal of the coordinator of the Reform group of deputies, Sergey Sobolev, which was supported by a majority, that the President of Ukraine could call for nationwide referendums from now on only on issues pertaining to the country's Constitution. All of this ultimately reassured those deputies who would like to see the Supreme Soviet as an effective counterbalance to the possible authoritarianism of executive power by Leonid Kuchma or the members of his team. The consent of the deputies to the presidential law also became a kind of guarantee of a coordinated presidential-parliamentary approach to the implementation of reforms.

The picture of conciliation, however, was torn the very next day, Friday May 19, by the leftists. The law has

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not been enacted, since a constitutional majority of 301 votes is required, and the leftists blocked the decree; the power law thus remains, as before, a declaration of good intentions on paper. The situation with the formation of the government naturally also remained uncertain under these conditions. Both Leonid Kuchma and acting Premier Yevgeniy Marchuk stated that it would be formed based on the power law and would not be a coalition government, but rather would consist primarily of professionals and advocates of reform.

The prior state of fruitless dual power is thus preserved in Ukraine as before. President Kuchma declared to journalists that the leftists are voting against the law only because "it mentions the president," and added that he would be resolving the problem of the power dispute this week without fail. What he has in mind is not known, but something else is—a group of deputies inclined in favor of the president from the right wing and the center have prepared a draft constitutional agreement between some of parliament and the president. The gathering of signatures from those wishing to collaborate with the president is proceeding apace in the parliament, with both 200 and 250 signatories cited. If such an agreement is signed, then while being illegal and illegitimate, it would nevertheless resolve the power dispute on the basis of agreement, and the country would live according to normal rules until the adoption of a Constitution.

Russian Party Leader on Relations With Ukraine

954K0606A Kiev MOLOD UKRAYINY in Ukrainian 30 May 95 pp 1-2

[Interview with V.M. Lysenko, chairman of the Republican Party of Russia, president of the Contemporary Policy Institute, State Duma deputy, by Bohdan Kushnir, MOLOD UKRAYINY staff correspondent, under the rubric "Russia and Ukraine"; at Lysenko's office in Moscow, date not given: "Vladimir Lysenko: 'No Political Force in Russia Will Give Up Influence Over Ukraine"]

[FBIS Translated Text] **From MOLOD UKRAYINY files:**

Vladimir Nikolayevich Lysenko was born in Odessa in 1956, in a family of teachers. In 1962, his parents moved to Zaporozhye where he spent his childhood and graduated from school with honors. He was admitted to the Department of History of the Moscow State University. Subsequently the fate of Vladimir Lysenko was associated with Russia and Moscow. He became a graduate student at the Department of Philosophy, defended his Ph.D. dissertation, and worked for 10 years as a teacher of social sciences at the Moscow Aviation Institute. In 1990, h- was elected a deputy of the Supreme Soviet of Russia in the Leningrad District of Moscow.

In the second half of the 1980's, Lysenko was involved in vigorous public activities. He was a cofounder of the Memorial association (at first, a small group appeared in Moscow and then the All-Union Association). He worked on creating the democratic platform in the CPSU, a mighty oppositional movement which also had its chapters in Ukraine. He traveled to Kharkov to the constituent assembly of the Ukrainian Democratic Platform and met with Hrynyov, Filenko, Yemets, and other Ukrainian politicians with whom he maintains friendly relations to this day.

After his election as deputy, he became one of the organizers of the Democratic Congress, a unique association of democratic and national-democratic movements and parties of the former Union. He worked professionally on the issues of ethnic regional policy. He served as a deputy minister of Russia for nationalities policy and took part in settling many conflicts in the territory of the CIS, in particular the Karabakh, Abkhazian, and South Ossetian conflicts. Vladimir Lysenko was elected to the State Duma on the ticket of the Yabloko bloc. The Republican Party of Russia of which Lysenko is the sole leader has now withdrawn from the Yabloko bloc and is preparing for the next election on its own.

In the Duma, Lysenko works on the problems of federal relations and the state system of Russia and continues to influence the development of the situation in nearby foreign countries as much as possible.

Vladimir Lysenko, the chairman of the Subcommittee for the Development of Federated Relations of the State Duma of Russia, received a MOLOD UKRAYINY correspondent in his office in Georgiyevskiy Lane.

[Kushnir] Vladimir Nikolayevich, the incident in the course of which your namesake Nikolay Lysenko tore up the Ukrainian flag in the State Duma reverberated greatly in Ukraine. You were the only Russian member of parliament to apologize to the Ukrainian people. If Mr. Konstantin Zatulin is to be believed, the roots of almost one-half of the Duma deputies are in Ukraine. Others remained silent. Why were you the one to revisit this shameful incident?

[Lysenko] When this happened I was not present at the meeting. The incident itself had an extremely unfavorable influence on me. Several years from now, while mentioning the Fifth State Duma they will recall

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instances whereby Lysenko tore up the Ukrainian flag or Marychev pretended to be an idiot rather than the adopted laws or some good issues. Such instances are registered in the people's consciousness more often. When I saw that neither Speaker Ivan Rybkin nor deputy factions nor anyone else wanted to assess the incident I understood this: Everybody was getting ready for the elections, and attitudes were quite different. The more patriotism or Russian nationalism one displays the more votes one can gain in the election.

As a person who is associated with Ukraine and advocates democratic principles for the development of Russia, I saw fit to speak at a Duma meeting and assess the incident and began to demand that the prosecutor's office examine the essence of this issue. I indeed apologized to the Ukrainian people. The actions of such extremists are dangerous since they strain relations not only between politicians but also between peoples, all the more so because a sequel to the incident occurred in the Ukrainian parliament. We approached the prosecutor's office so that in the future nobody will use the parliamentary podium to promote ethnic enmity.

[Kushnir] Mr. Lysenko, let us discuss more serious topics than extremes. To your mind, what is the best and worst scenario for the development of relations between Ukraine and Russia in the future?

[Lysenko] They are not developing the best at present. I will admit frankly that hopes for more profound and serious processes of economic and political cooperation were attached in Russia to Leonid Kuchma's victory in the election. The situation is not developing in keeping with the best scenario. This is why problems continuously arise with the large indebtedness of Ukraine, the Black Sea Fleet, and the Crimea which constantly strain relations between our states. The situation develops as if at two levels. When a Belarussian general rose up at a reception in the vicinity of Prokhorovka where veterans from three republics met on the eve of the Victory Day and said that our peoples should be together not only in a matter of speaking but also at the state level, everyone stood up and applause sounded.

That is to say, at the level of public consciousness misunderstandings between politicians, between our states are perceived unfavorably. If relations do not improve and the mechanisms of the commonwealth are not improved at the state level, the people's unhappiness will be expressed in other forms, and we will encounter very serious problems, all the more so because in Russia an election will be held soon. A great many parties are proceeding toward the election with the concept of bringing back the USSR or some imperial structures. Unless a perceptible turnaround occurs, Russian nationalists will gain mighty leverage in the struggle for the presidency, all the more so because we have another example—rapprochement with Belarus. Difficulties experienced with regard to Ukraine will not be comprehended from the common man's point of view. I see a good type of relations—close economic and even military-political integration. I attended a congress of the new party, the Interregional Reform Bloc and talked to Volodya Malynkovych who said that Leonid Kuchma had already had a finished draft of political integration of CIS countries, but the Chechen events had intervened.

I believe that political and economic integration would strengthen all of our genetically close states. Another scenario, the worst one, means the Crimea, the debt, the Black Sea Fleet; the further it goes the more frequently they will be exploited by various political forces; our nations will be set against each other, and as a result third countries would gain because of this conflict. The population will not understand the steps taken by politicians, and we will increasingly often come into conflict.

[Kushnir] Your statement begs the following conclusion: The problem in relations between our states lies in Ukraine coming out solely for economic integration while taking its own independent position on the political and military issues. And Russia does not like it, does it?

[Lysenko] My feeling is that the initial euphoria about there being an opportunity, after gaining independence, to quickly integrate into the European community and become economically independent of Russia has turned out to be an illusion. It has now been understood that we are doomed to associate with one another: Our products will not become competitive anytime soon. All of our problems come down to a number of political issues which are not being resolved and are generating tensions.

The Crimean situation: Generally, I believe that the Russian attitude toward everything transpiring there should be calm, although in this instance there also ought to be a limit to calmness. At present, a trend toward a rapid growth of the self-awareness of Russians is picking up in Russia (in Ukraine, this trend began in the 1980's)....

[Kushnir] Voices in favor of protecting the Russian-speaking population are frequently heard in the State Duma. Initially, politicians came out in favor of a treaty on collective security in the CIS, but the independent countries did not support it. At that point, a new thesis appeared in Russia concerning protection for Russians. Is it really necessary to protect Russians in Ukraine?

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[Lysenko] I will say right away that I do not support Kozyrev's statement, and I was shocked when he said that we were prepared to use force to protect our fellow countrymen. I think that Kozyrev has started playing a dangerous game and is actually revising his thoughts from two years ago. There is no need to protect Russians in Ukraine. A real problem exists in eastern and southern oblasts where Russian-speaking populations dominate, where complicated processes continuously develop in conjunction with schooling: The number of Russian schools is declining.

[Kushnir] Vladimir Nikolayevich, you are aware that almost 10 million Ukrainians live in Russia. Could you tell me in which year and in which city I will be able to send my two sons to even one Ukrainian school in the territory of the Russian Federation?

[Lysenko] This is not a mirror-image situation, given that Ukrainians who live in Russia are less concerned about this problem than Russians who populate Ukraine. Since there have been no Ukrainian schools here, establishing them will be a long process. The problem has come up but it is not vital in the extreme: If Ukrainian schools are not established Ukrainians will not leave Russia right away. In Ukraine, the situation is somewhat different. I am expressing my own view. This is associated with the fact that the Russian people has always been internationalist; even under the Russian Empire various peoples got along here. Apart from the outbreaks of antisemitism in the beginning of the 20th century, we cannot recall any grandiose ethnic conflicts or religious wars in the territory of Russia.

It is one thing if a school which already exists is taken away from the people, and it is quite another when there is nothing at all. The beginning reduction in the number of Russian schools is much more painful than the process of establishing Ukrainian schools in the territory of Russia.

[Kushnir] Mr. Lysenko, Russian politicians and government officials want to protect their fellow countrymen so that the Ministry of Education of Ukraine will not teach them another language. However, you do not want to provide economic assistance to Russians in Ukraine. You charge your own and Belarussian enterprises three to four times less than Ukrainian enterprises for energy resources! It is easier for you to provide assistance to Russians verbally.

[Lysenko] This question has to do with the closeness of relations between our states. I will be frank: If Russian border guards man Belarussian borders, if Russian military bases are maintained there, then energy carriers are sold at Russian prices.

If Ukraine proclaims all the time that it is an independent state, that it has everything of its own, problems which you have mentioned will naturally develop. The same is the case with Chechnya. Since Dudayev says that they are independent let us switch to world-market prices.

The illusion that we can be independent of each other still lingers. Perhaps many years from now history, economic development, and logic themselves will bring about genuine independence. Under current conditions, many aspects of such independence are illusory. Ukraine will not be able to exist without Russian energy carriers. If we were to speak unequivocally, the document on restructuring the Ukrainian debt signed for a period of 14 years makes Ukraine economically dependent on Russia for the same number of years. This is unavoidable. There is no other way.

[Kushnir] There were other times. You would recall when a direct gas pipeline from Dashava to Moscow originated in Ukraine. For a decade, gas from Ukraine was pumped to Russia.

[Lysenko] And now we are building a special line through Belarus in order not to run it through Ukraine because...

[Kushnir] Because Ukraine has taken an independent position.

[Lysenko] I think that this is one of the reasons, too. I would like to stress that Ukrainians need to understand the following: The current Government of Russia is the most democratic and has the best attitude toward Ukraine; any other government replacing Yeltsin's will be more nationalist and chauvinist, and will pursue a tougher policy with regard to Ukraine.

They should not proceed only from there being America and France out there in the world, and there being no reason for Ukraine and Russia not to have such a relationship because in our instance the context of relations is completely different. We cannot be compared to countries which have maintained relations on an equal footing for centuries. I understand Ukrainians who continuously see Russia, a considerably larger country with great resources, continuously trying to expand its influence on Ukraine and to bring political pressure to bear by using economic leverage. However, I will repeat this: At present, there is no political force in Russia which would subscribe to another viewpoint, i.e. which would say that Ukraine should be allowed to go wherever it wants, be it under German or American influence. It is just that we need to see what is really possible and what is not, what is due to the bad will of some Russian

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politicians of Kozyrev's ilk who can swing a stick from time to time and what is not.

[Kushnir] The Russian Federation is trying to bring back "superpower" politics. Are these the interests of some political parties, the military-industrial complex, or the entire population who they now want to sustain with the concept of the country's greatness?

[Lysenko] I have already tried to speak to this point. I would like to make a political-science observation as an expert. In the 1980's and 1990's, the self-awareness of the peoples of smaller republics of the former USSR grew rapidly—first that of the Baltic peoples, and then that of Ukrainians, and then that of other peoples whereas by now the situation has changed. This trend has abated as far as smaller peoples are concerned; most of them have secured national independence. The Russian people, one of the largest, hibernated. In the past two years, the self-awareness of Russians has begun to grow rapidly. Now they are the ones saying that they are being wronged, that others hammer out privileges for themselves. They are beginning to find out who is who in Moscow. They are saying that there are few Russians in the government, and that other nations are plundering the country. This trend has now grown, and for two to three years to come we will be influenced by it....

[Kushnir] However, the main reason for such a sentiment is economic, is it not?

[Lysenko] Politicians will unavoidably get themselves aligned with public opinion. It is another matter how far it will go: On one hand, it will be restricted to unfavorable relations between Ukraine and Russia, while on the other hand, the assumption of power by Zhirinovskiy or a politician of his kind will bring about an open conflict and an attempt to solve the problem of not only Ukraine but also other countries through the use of force.

[Kushnir] We have come to the last question: Who will win the next presidential and parliamentary elections in Russia?

[Lysenko] This is a very difficult question, especially after the Chechen events which have brought President Yeltsin's rating down to a low mark. It is hard to say unambiguously whether there is a candidate who is supported by a majority of the population. I do not see such a figure. We will have to choose the lesser of the evils rather than the best of the best. Here is one of the possible scenarios: Two blocs are now being created, those of Rybkin and Chernomyrdin, the latter being aimed at preserving the power of the current president. Other scenarios which the opposition proposes can bring to power neo-revisionist and revanchist forces wishing to restore the old situation or to begin fighting for the reconstruction of the Russian Empire and the Soviet Union. Scenarios associated with the appearance of more loyal centrist presidents in the political arena, such as I. Rybkin, are possible in principle; however, it will be impossible to actually put this spin on the situation within nine months. The forthcoming elections are in doubt: Will they be held at all? Will the existing authorities proceed to hold the presidential election if the reins of government cannot be retained? Besides, at present the Central Asian example is highly infectious: Democracy has come to an end, and it is time to make a transition to an authoritarian regime. Serious shocks still lie in store for us. I would not like them to spill over into the relationship between our peoples and our states. It is desirable for the issues involving customs inspections and borders to be simplified as much as possible so that the people will be able to communicate.

I took the Simferopol highway from Belgorod to Moscow. It was deserted. The roadway was full of potholes, and there were hardly any cars. I recall that in the years past it was the best route in the Soviet Union, the most popular highway. Everybody drove down that highway to take a vacation. At present, relations between Russia and Ukraine remind me of the Simferopol highway with traffic far below capacity. It is sad! It is sad! I have never been a supporter of the superpower concept, and have never thought that there is a need to create a single unitary state by force. However, at the same time I believe that the Ukrainian, Belarussian, and Russian nations are closely related, and relations between them should be on a qualitatively new, higher level than they are now.

Power Bill Fate Still Uncertain

954K0603A Kiev MOLOD UKRAYINY in Ukrainian 23 May 95 p 1

[Article by Olena Hubina under the rubric "From Our Parliamentary Correspondents": "Power Bill Approved But Not Yet in Force"]

[FBIS Translated Text] When the results of the voting on the Law on State Power and Local Self-Government were obtained by journalists, no one could conceal his surprise. There were those among the communist factions, which had been opposed to the bill, that supported it as well. The same was true of the socialists. Oleksandr Moroz himself, as well as his First Deputy Oleksandr Tkachenko, voted for the law. The right-wing deputies and many centrists and agrarians supported the law. Ivan Plyushch supported it as well, while Leonid Kravchuk abstained from the voting. Stepan Khmara also did not vote for the law.

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The journalists concluded that the leftist factions did not push strict party instructions with regard to the voting. Was it that simple to persuade them to concede or agree to a compromise? Some deputies were sharing the idea in the halls that some of the communists really got worried that they could be slapped with the reactionary label if they pushed the "nay" button. And there were clearly fewer opponents to the law when the article on disbanding the Supreme Soviet and voting for the impeachment of the President was removed from the law at Kuchma's initiative.

The concession by the leftist forces, however, cannot at the same time be explained as a convincing victory for their opponents. It becomes obvious in an evaluation of the current situation that it was not so much a concession as a tactical device.

The Supreme Soviet, having approved the Law on Power by 219 votes, has not been in any hurry on a final resolution to enact it. The law thus exists only on paper so far, and is not in force. Conventional laws are enacted, as a rule, with a corresponding decree. A somewhat different procedure, however, has been defined approved for this one, and moreover such a tangled one that it cannot be contained within a simple and natural scheme. The deputies have to vote on a law to enact the power bill, and it must be supported by a constitutional majority rather than a simple majority. The 219 supporting votes are now not enough for that.

The deputies at the same time have to invalidate those articles of the current Constitution that contravene the power law. And the deputies are persuasively predicting that the main battles will be in precisely that area. The power law will scarcely be likely to take effect as a result.

That is why they have started talking again in the parliamentary corridors about signing the agreement between the President and the Supreme Soviet whose text has been proposed by Leonid Kuchma. Some of the deputies feel that it is virtually the only civilized resolution of the conflict between the two branches of power today. The agreement actually also is to enact the power law. The deputies feel that even though it is called "constitutional," a simple majority of parliament would suffice for its approval. The journalists were informed that signatures are already being gathered for the agreement.

But what legislative field is the agreement in? One could say at the same time that today's Constitution does not provide for such a thing. Those who are supporting it, however, refer to the fact that world practice is acquainted with such compromises, the more so as the Constitution will have to be violated in any case—either the agreement or the power law will do so.

The way out possibly lies in another area. If the Law on State Power and Local Self-Government is to be in effect only until the adoption of a new Constitution, the work on that should be speeded up. The current parliament is naturally unable to adopt it. A special Constitutional Congress or Assembly may have to be convened for the purpose, and a presidential resolution would actually be enough for that.

Such prospects, however, still look to be quite remote. The near term holds three options—a law to enact the power bill, a constitutional agreement or a plebiscite. As the popular riddle says, go to the left and the horse is lost... And so on.

Economic Issues

Government Seen Out of Step with National Bank

954K0605B Lvov POST-POSTUP in Ukrainian 26-31 May 95 No 20, p 4

[Article by Lyubomyr Ribun, candidate of economic sciences: "Is Our Government Keeping Up With the Policy of the National Bank of Ukraine?"]

[FBIS Translated Text] The progressive economic development of even a regulated economic system requires the coordination of policy among all state institutions involved in shaping and implementing this policy. It is especially important that there be agreement between the government and the National Bank. Does this agreement exist between the current government (to be sure, a government that has already been dismissed by the Supreme Council) and the National Bank? Until quite recently, it appeared that such agreement existed. Despite certain differences with respect to some issues, for example, concerning foreign currency turnover time periods in Ukraine, this question did not arise. Even the aggressive "leftists," who continually demanded the dismissal of key government officials, grouped together Pynzenyk, Shpek, and Yushchenko. But the events of recent days, and especially President Kuchma's speech at the conference on economic questions that was held on 10 May in Kiev, showed in our opinion that there is no unity in the views of the government and the National Bank regarding the future course of economic reforms in Ukraine.

Who is "not keeping up" with whom? To understand this, let us examine for what the president criticized the National Bank. Strange though it may seem, he criticized it for working well. Judge for yourselves. The austere financial policy pursued by the National Bank

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during the last seven months has produced perceptible results with respect to monetary stabilization. In April, inflation measured 5.8 percent, which amounted to a level that was nearly 3.7-fold lower than in January of this year. According to the government's plan, inflation was to fall to five percent no sooner than by the end of the first half year. The exchange rate of the karbovanets has been stabilized. It, too, is nearly 30 percent higher than the predicted level. The bank interest rate is also falling at a faster pace than anticipated. There is no doubt that the credit for all these things goes to the National Bank. But Leonid Kuchma believes that "monetary stabilization in and of itself is not decisive for the economy. We must always ask: at what cost has this stabilization been achieved and how does it fit in with, on the one hand, financial stabilization, and on the other hand, the expansion of the production process." While I agree with the thesis that all spheres of the economy need to develop equally, let me note that the development of some spheres cannot be slowed down because others are lagging behind. When the economy is in disequilibrium, it is necessary to support all those spheres of the economy in which the shoots of something new are breaking through. And if the National Bank has achieved some successes, it should not be stopped with administrative shouting, but rather we should inquire of those who were not able to ensure the necessary growth of the production sphere [as published]. The president's aides and advisors should have reminded him that there exists throughout the world not only a division of powers but also a division of responsibilities. The National Bank is responsible for monetary policy, while the executive branch, that is, the government, is responsible for a sound economic policy. Therefore, the president's words that "we were unable to shift our emphasis in a timely fashion from the implementation of an austere monetary policy to a policy of surmounting the payments crisis, stimulating effective demand on the part of consumers, and expanding the production process on this basis" should be addressed to the government and not to the National Bank.

It is beginning to appear that the government does not have a well defined, balanced economic policy, especially in the field of stimulating production in all sectors of the economy. Such a policy has to be based on one thing — the growth of consumer demand. If the government succeeds in finding a mechanism for solving this problem, this will create conditions for stimulating production, bringing in tax revenues into the budget, and reducing social tensions.

It seems that today's ideologists of economic reform in Ukraine knew what to do in conditions of complete economic chaos and how to do it. But with the appearance of the first signs of stabilization, be it only financial stabilization, it became clear that the executive branch does not have reliable recipes for further economic transformations, particularly in the sphere of material production. That is why, in our view, a certain jealousy arose towards the National Bank for its, be it small, but nonetheless successes in the financial sphere.

There was a similar situation several years ago in Poland. At that time, the government of Balcerowicz assumed the whole burden and responsibility for unpopular economic measures. But it carried them out, cleared the way for the next stage of economic transformations, and left office holding its head high. And the baton was passed on to those who knew how to work in the new conditions.

It appears that in Ukraine the time of the Balcerowiczes has also passed. And if our economists and politicians do not know what to do next, they should not go looking for the "enemy" in their own house, but, instead, they should turn to the experience of postwar Germany, Japan, or Korea, which in a short period of time managed to rise from the ruins to become the world's economic leaders. One would like to think that the time of the Erhards is coming in Ukraine as well.

P.S. According to a report in the newspaper *Finansovaya Ukrayina* based on information from confidential sources, certain forces in the president's administration are not averse to making certain personnel changes. In particular, they have their own candidates for the positions of two deputy prime ministers and the chairman of the Board of Directors of the National Bank of Ukraine. True, the latter operation is somewhat more complicated — this decision has to be made by parliament. At the same time, according to experts, there is no one in the circles close to the administration who could perform better in this position than the current chairman of the National Bank.

*Law on Payment of Wages Published

954F2444A Kiev GOLOS UKRAINY in Russian 25 May 95 pp 7-8

[Law of Ukraine on Payment of Wages]

[FBIS Translated Text] **Decree of the Supreme Council on the Order in Which the Law of Ukraine on Payment of Wages Is To Be Put in Force**

The Supreme Council of Ukraine decrees as follows:

1. Put the Law of Ukraine on Payment of Wages in force as of 1 May 1995 except for part two of Article 9, Articles 10, 33, and 34, which are to be put in force

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at times to be determined by the Supreme Council of Ukraine.

2. Ascertain that in 1995 minimum guaranteed wages in the branches (sub-branches) of the national economy, with consideration of their financial possibilities, are to be determined with the conclusion of the General Agreement for 1995.

3. Direct the Cabinet of Ministers of Ukraine:

To submit to the Supreme Council of Ukraine within the period of one month proposals to bring the enforceable enactments of Ukraine into correspondence with the present law and adopt decisions stemming therefrom;

During the period prior to the introduction of Article 33 carry out periodic reviews of the amount of wage payments to workers of budgetary establishments and organizations in accordance with the rise in the consumer price index, in addition to those for whom wage rates (salaries) are increased monthly in accordance with the average wage level in industry and the national economy;

The order in which compensation is to be paid workers for loss of a portion of their wages due to violation of the deadlines for their payment is to be adopted within one month after conduct of negotiations between representatives of trade union associations of Ukraine and the owners for the period prior to the introduction of Article 34.

[Signed] A. Morozov, chairman of the Supreme Council of Ukraine

[Dated] Kiev, 20 April 1995

Law of Ukraine on Payment of Wages

This law determines the economic, legal, and organizational principles of the payment of wages to workers engaged in a labor relationship on the basis of a labor contract with enterprises, establishments, and organizations with all forms of ownership and management (subsequently referred to as enterprises), as well as with individual citizens, along with those of the sphere of state and contractual regulation of the payment of wages and is aimed at ensuring the restorative and stimulating function of wages.

Section I. General Provisions

Article 1. The Wage

The wage is a remuneration as a rule calculated in monetary terms which is paid by the owner or an organ authorized by him to the worker for work performed by him in accordance with a labor contract.

The amount of the wage depends on the complexity and conditions of work being performed, the professional-business qualifications of the worker, and results of his labor and the economic activity of the enterprise.

Article 2. Wage Structure

Basic wage constitutes remuneration for work performed in accordance with established labor norms (norms of time, production, servicing, performance of official duties). It is established in the form of wage rates (salaries) and piece-rate pay for workers and salaries for employees.

Additional wage—It is remuneration for labor in excess of the established norms, for labor success and inventiveness and for special working conditions. It includes supplementary payments, bonuses, guaranteed, and compensatory payments as stipulated by existing legislation; prizes connected with fulfillment of production tasks and functions.

Other incentive and compensatory payments—They include payments in the form of awards for results of work for the year, prizes based on special systems and regulations, compensatory and other monetary and material payments not envisaged by existing laws or made in excess of the norms established by the indicated enforceable enactments.

Article 3. The Minimum Wage

The minimum wage is the legislatively established amount of wage for simple, unskilled labor, below which no payment may be made for monthly or hourly work norm (volume of labor) performed by a worker.

The minimum wage does not include supplementary payments, bonuses, incentives, or compensatory payments.

The minimum wage is a state social guarantee mandatory throughout the territory of Ukraine for enterprises with all forms of ownership and management.

Article 4. Sources for Funds for Payment of Wages

A portion of the revenue and other funds received as a result of their economic activity constitutes the source of funds for the payment of wages of workers of cost-accounting enterprises.

At establishments and organizations being financed out of the budget, these funds are allocated out of appropriate budgets or constitute a portion of the revenue obtained as a result of the economic activity as well as from other sources.

Associations of citizens remunerate the labor of hired workers out of funds forming in accordance with their charters.

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Article 5. System Used in Organizing the Remuneration of Labor

Organization of the remuneration of labor is carried out on the basis of:

legislative and other enforceable enactments;

a general agreement at the state level;
branch and regional agreements;
collective contracts;
labor contracts.

The subjects of the organization of payment of wages include: organs of state power and local self-government; owners and associations of owners or their representative organs; trade unions, associations of trade unions, or their representative organs; workers.

Article 6. The Wage Rate System in the Payment of Wages

The basis of the organization of wage payments consists of the wage rate system which includes wage scales, salary schedules, and job and wage rates classification descriptions (manuals).

The wage rate system in the payment of wages is used for distribution of work depending on its complexity, and workers, depending on their skill levels and level of responsibility in accordance with categories of the wage scale. It forms the basis for the formation and differentiation of the amount of wages.

The wage scale (salary schedule) is formed on the following basis:

the wage rate of a first-category worker, set in an amount exceeding the legislatively established amount of the minimum wage;

correlation of skill levels (positions) to the wage rates (salaries);
job and wage rates classification descriptions (manuals) are prepared by the Ministry of Labor of Ukraine.

Article 7. Legislation on the Payment of Wages

Legislation on the payment of wages is based on the Constitution of Ukraine and consists of the Code of Laws on Labor of Ukraine, the present law, the Law of Ukraine on Collective Contracts and Agreements, the Law of Ukraine on Enterprises in Ukraine, and other legislative enactments of Ukraine.

Section II. State Regulation of the Payment of Wages

Article 8. Sphere of State Regulation of the Payment of Wages

The state regulates payment of wages to workers at enterprises with all forms of ownership and management by establishing the amount of minimum wage, other state norms and guarantees, as well as the conditions and the amount of wages paid to workers of establishments and organizations being financed out of the budget, to executives of state enterprises, and also by taxing the income of workers.

Article 9. Conditions for Determining the Amount of Minimum Wage

The amount of minimum wage is determined with the consideration of the following:

the size of the minimum consumer budget with the gradual unification of such indexes as the economy of the country stabilizes and develops;

the overall level of the average wage;
productivity of labor, level of employment, and other economic conditions;
the minimum wage is set in an amount no lower than the poverty level as determined for an able bodied person.

Article 10. The Order of Establishing and Reviewing the Amount of the Minimum Wage

The amount of the minimum wage is set by the Supreme Council of Ukraine on the recommendation of the Cabinet of Ministers of Ukraine, as a rule, once a year during the adoption of the state budget of Ukraine with consideration of proposals worked out through negotiation, and presented by representatives of trade unions, owners, or organs authorized by them that unified for the conduct of collective negotiations and conclusion of a general agreement.

The amount of the minimum wage is reviewed depending on the rise in the consumer price index and in tariffs for services upon agreement of parties to collective negotiations.

Article 11. Minimum Wage Rates (Salaries) and the Order in Which They are Set

The minimum wage rates (salaries), just as the minimum guarantees in the payment of wages, are determined by the general agreement.

Article 12. Other Norms and Guarantees in the Payment of Wages

Norms for the payment of wages (for overtime work, for work on holidays and weekends; during night hours; for downtime occurring not due to the fault of the worker; for the output of products which prove to be defective not due to the fault of the worker; to workers under 18 years of age engaged in a shortened work day, etc) and

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guarantees to workers (payments for annual vacations; for time spent on fulfillment of state obligations; for those engaged in improving their skill levels or those undergoing medical examinations at medical establishments; for those transferred to lighter lower-paid types of work for health reasons, for those temporarily transferred to other work in connection with production requirements; for pregnant women and women with children under three years of age transferred to lighter work; for various forms of production training, retraining, or training in other specialties; for donors, etc), as well as guarantees and compensations to workers in case of transfer for work to another area, for official field assignments, work under field conditions, etc are established by the Code of Laws on Labor of Ukraine and other legislative enactments of Ukraine.

Norms and guarantees in the payment of wages, stipulated in part one of this article and in the Code of Laws on Labor of Ukraine constitute minimum state guarantees.

Article 13. Payment of Wages to Workers of Establishments and Organizations Financed Out of the Budget

The payment of wages to workers of establishments and organizations financed out of the budget is carried out on the basis of legislative and other enforceable enactments of Ukraine, and the general, branch, and regional agreements, collective contracts within limits of budgetary appropriations, and other nonbudgetary revenues.

The amount of expenditures on the payment of wages to workers of establishments and organizations financed out of the budget is adopted simultaneously with the budget.

Section III. Contractual Regulation of the Payment of Wages

Article 14. The System of Contractual Regulation of the Payment of Wages

The contractual regulation of the payment of wages to workers at enterprises is carried out on the basis of a system of agreements concluded at the state (general agreement), branch (branch agreement), regional (regional agreement), and production (collective contract) levels in accordance with the Law of Ukraine on Collective Contracts and Agreements.

The norms of a collective contract, permitting the payment of wages below norms determined by a general, branch, or regional agreement, but not lower than state norms and guarantees in the payment of wages, may be used only temporarily for the period required to overcome financial difficulties of an enterprise for a term not exceeding six months.

Article 15. Organization of the Payment of Wages at Enterprises

Forms and systems for the payment of wages, labor norms, estimates, wage scales, and salary schedules, conditions for introduction and amount of supplementary payments, bonuses, prizes, rewards, and other incentive, compensatory and guaranteed payments are established by enterprises in the collective contract with observance of norms and guarantees, envisaged by legislation, and the general and branch (regional) agreements. In cases when a collective contract has not been concluded at the enterprise, the owner or an organ authorized by him must coordinate these questions with the trade union organ representing the interests of most of the workers, and if such an organ is absent, with another organ authorized as the representative.

The concrete size of wage rates (salaries) and piece-rate wages for the workers, salaries for employees, as well as bonuses, supplementary payments, prizes, and awards are established with consideration of requirements set forth in parts one and two of this article.

The payment of wages to workers of an enterprise is carried out on a priority basis after mandatory payments are made.

Article 16. Organization of the Payment of Wages at Enterprises and in Organizations for Which Subsidies are Allocated out of the Budget

At enterprises and in organizations that operate on the basis of cost accounting and receive subsidies from the budget, the payment of wages is organized in accordance with Article 15 of this law, but within limits of the amount of subsidies determined for them in the established order and the limits of their own revenues.

Article 17. Payment of Wages to Workers Performing Work (Providing Services) Not Peculiar to the Principal Activity of the Branch (Sub-Branch)

The conditions for payment of wages for workers of enterprises, in types of production, shops, sectors, and other subdivisions performing work (providing services) not peculiar to the principal activity of the branch (sub-branch) are established in the collective contract with observance of guarantees, determined by agreements of those branches (sub-branches) to which these subdivisions belong by the nature of their production as well as by the existing legislation.

Article 18. Payment of Wages to Workers in General (Multiple Skill) Professions and Occupations

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The wage rates (salaries) of workers in general (multiple skill) professions and occupations are established on conditions determined by the collective contract with observance of guarantees set by legislation and the general, branch, or regional agreements.

Article 19. Payment of Wages to Those Holding More Than One Job

Workers holding more than one job receive a wage for work actually performed.

Conditions for holding more than one job by workers of state enterprises are determined by the Cabinet of Ministers of Ukraine.

Article 20. Payment of Wages in Accordance With a Contract

Payment of wages in accordance with a contract is determined upon agreement of the parties on the basis of existing legislation and conditions of the collective contract and is linked to the fulfillment of contractual terms and conditions.

Section IV. The Rights of the Worker in the Payment of Wages and Their Protection

Article 21. The Rights of a Worker in the Payment of Wages

A worker has the right to be paid for his labor in accordance with legislation and the collective contract on the basis of a labor contact that is concluded.

The amount of the wage may be below that established by the labor contract or below the minimum wage in case of the nonfulfillment of output norms, output of production which turns out to be defective, and for other reasons envisaged by the existing legislation which occurred due to the fault of the worker.

No decrease in the amount of wages is permitted because of origin, social and property position, racial and national affiliation, sex, language spoken, political views, religious convictions, membership in a trade union or other association of citizens, the nature and character of an occupation, or the place of residence.

Article 22. Guarantees of the Observance of Rights in the Payment of Wages

Subjects of the organization of payment of wages do not have the right to make unilateral decisions on questions concerning the payment of wages or deteriorating conditions as determined by legislation and agreements and collective contracts.

Article 23. Forms in Which Payments of Wages Are Made

The wages of workers of enterprises on the territory of Ukraine are paid in currency which is in legal circulation on the territory of Ukraine. The payment of wages in the form of debt obligations and receipts or in any other form is prohibited.

Wages may be paid in bank checks in the order established by the Cabinet of Ministers of Ukraine upon coordination with the National Bank of Ukraine.

As an exception, the collective contract may provide for the partial payment of wages in kind (at prices not lower than the production cost) in those branches or in those professions where such payment, equivalent in value to the value of labor in monetary terms, is common and desirable for the workers, with the exception of goods a list of which is created by the Cabinet of Ministers of Ukraine.

Article 24. Deadlines, Periodicity, and Place of Payment of Wages

Wages are paid to workers regularly on work days by the deadlines established in the collective contract but not less frequently than twice a month at an interval of time not exceeding 16 calendar days.

If pay day falls on a day off, a holiday, or a free day, wages are paid on the day before.

Payment of wages is made at the place of work. It is prohibited to pay wages at retail stores, in drinking or entertainment establishments, with the exception of those cases when wages are paid to individuals working at such establishments.

Upon a written agreement of the worker, payment of wages may be made through a banking establishment or by postal money order sent to an account (address) indicated by him with mandatory remuneration of these services at the expense of the owner or organ authorized by him.

Article 25. Prohibition of Restrictions on the Worker To Freely Dispose of His Wages

Restrictions on the worker to freely dispose of his wages, with the exception of cases stipulated by the legislation, are prohibited.

Withholding from wages the purpose of which is direct or indirect payment by a worker to the owner or an organ authorized by him or to some intermediary for the purpose of acquiring or retaining work is prohibited.

Article 26. Restrictions in the Amount of Withholding From Wages

Withholding from wages may be made only in cases stipulated by legislation.

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In each payment of wages, the total amount of all withholding may not exceed 20 percent, and in cases stipulated by legislation 50 percent, of the wage subject to payment to the workers.

Restrictions established by part two of this article do not apply to withholding from wages when undergoing punishment in the form of corrective labor and in the collection of child support payments.

Withholding is not permitted from severance pay, compensatory, and other payments to which withholding does not apply according to legislation.

Article 27. The Order of Calculating the Average Wage

The order in which the average wage of the worker is calculated in cases stipulated by legislation is established by the Cabinet of Ministers of Ukraine. For the calculation of pensions the average wage is determined in accordance with the Law of Ukraine on Payment of Pensions.

The state ensures quarterly preparation and publication of statistical data on the average wage and the average duration of work time by branches, groups of professions and occupations, as well as the annual publication of data on the cost of manpower.

Article 28. Protection of the Rights of Workers in Case of Bankruptcy of the Enterprise

In case of bankruptcy of the enterprise or its liquidation in accordance with law the obligations of such an enterprise to the workers with regard to wages which they are to receive for work (labor, services) performed during the period preceding the bankruptcy or liquidation of the enterprise, are fulfilled in accordance with the Law of Ukraine on Bankruptcy.

Article 29. Notification of Workers Concerning Conditions Governing Payment of Wages

In the conclusion of the labor contract by the worker, the owner or an organ authorized by him informs him regarding conditions governing the payment of wages, the amount, order, and deadlines involved in the payment of wages, and the reasons in accordance with which withholding may be made in cases stipulated by legislation.

The owner or organ authorized by him must notify the worker no later than two months before any changes or new or inferior conditions in the payment of wages are introduced.

Article 30. Notification of the Worker Regarding the Amount of Wages Paid

Every time wages are paid the owner or the organ authorized by him must notify the worker regarding the following data pertaining to the period for which the wages are being paid:

a. total amount of wage with description of types of payments;

b. amount and reasons for any withholding made from the wage;
c. amount of wage subject to payment.

The owner or the organ authorized by him must ensure reliable accounting of work being performed by the worker along with a bookkeeping record of expenditures on the payment of wages in the established order.

Article 31. Information on the Payment of Wages to the Worker

Information on the payment of wages to the worker is submitted to any organs or individuals only in cases stipulated by legislation or with the agreement or on the demand of the worker.

Article 32. Resolution of Labor Disputes Involving Payment of Wage Issues

Labor disputes involving payment of wage issues are examined and resolved in accordance with legislation on labor disputes.

Article 33. Wage Indexation

During the period between reviews of the amount of minimum wage individual wages are subject to indexation in accordance with existing legislation.

Article 34. Compensation of Workers for Losses of Part of Their Wage Resulting From Delays in its Payment

Compensation of workers for losses of part of their wage resulting from violation of deadlines for its payment is made reflecting any rise in the consumer price index and in tariffs for services in the order established by existing legislation.

Section V. Final Provisions

Article 35. Control Over Observance of Legislation on the Payment of Wages

Control over observance of legislation on the payment of wages at enterprises is carried out by:

the Ministry of Labor of Ukraine and its organs;

financial organs;
organs of the State Tax Inspectorate;
Trade unions and other organs (organizations) representing the interests of hired workers.

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Top level monitoring of the observance of legislation on payment of wages is carried out by the Procurator General of Ukraine and by procurators subordinated to him.

Concealment of any information concerning questions dealing with payment of wages from the indicated organs is prohibited.

Article 36. Responsibility for Violation of Legislation on Payment of Wages

Individuals guilty of violating legislation on payment of wages are made to face disciplinary, material, administrative, or criminal liability in accordance with existing legislation.

[Signed] L. Kuchma, president of Ukraine

[Dated] Kiev, 24 March 1995

National Bank Pressured To Loosen Policy

954K0605A Lvov POST-POSTUP in Ukrainian 26-31 May 95 No 20, p 1

[Article by Halyna Lenartovych: "The National Bank Is Issuing Fourteen Trillion Karbovantsi Above Planned Amount"]

[FBIS Translated Text] It is clear that the currency emission for the second quarter, which was to amount to 70 trillion karbovantsi, will exceed this figure by 14 trillion karbovantsi. This has been reported by the Ukrinform Agency, which cites as its source Viktor Yushchenko, the chairman of the board of directors of the National Bank of Ukraine [NBU]. Yushchenko believes that an emission in this amount should not have a negative effect on the general economic situation in Ukraine. He also states that the necessary talks were held with the International Monetary Fund and that the IMF agreed that the unplanned emission was necessary.

Graham Justice, the senior permanent representative of the IMF in Ukraine, told the correspondent of INFOBANK that the Memorandum Concerning the Agreement with the IMF contains a provision that the amount of the emission may be adjusted with the IMF if the amount of foreign financial assistance received is insufficient. This is precisely what has happened. According to Graham Justice, not enough funds were received in the second quarter to maintain Ukraine's balance of payments in her trade and economic relations with other countries. Graham Justice stressed that the situation with respect to the receipt of foreign financial aid may change by the end of the quarter. Even if these funds are received at the end of the quarter, they can be used during the following three months.

Although according to the bank's chairman, Viktor Yushchenko, the NBU has considerable funds to maintain the stability of the karbovanets, the bank was obviously forced to agree to the lowering of the rate of exchange of the national currency. The NBU is under strong pressure from the industrial lobby, which is supported by President Kuchma, who regards the exchange rate of the karbovanets as unduly high (a low rate of exchange of the national currency benefits exporters, especially eastern Ukraine's raw materials and metallurgical giants). The industrialists oppose the National Bank's monetary policy. They view the NBU's proposed measures to regularize the problem of nonpayments among Ukrainian enterprises (which total up to 95 percent of the gross national product, according to some estimates) and to replenish working capital, primarily by placing promissory notes into circulation, as purposeless.

***Payments Crisis Measures Detailed**

954F2447A Kiev KIYEVSKIYE VEDOMOSTI in Russian 27 May 95 p 7

[Article by N. Zakrevskyy: "Path to Salvation of the Economy Through Bankruptcy of Enterprises"]

[FBIS Translated Text] Three days ago the country's president signed a document on measures to eliminate the payments crisis and support domestic producers. In essence, that is a specific-purpose thesis-oriented program (consisting of 15 pages and 55 points) on the further reform of the economy. The main executors—the Ministry of Finance, the Ministry of Economy, the Ministry of Statistics, the National Bank, the State Property Fund, the Main State Tax Inspectorate, etc.—are to prepare enforceable enactments within the established time (between 26 May and 1 October) along with directives which will help eliminate the payments crisis while avoiding inflationary stagnation.

After some insignificant further elaboration and refinement (principally of a temporary nature) the text of the directive will officially see the light of day in a few days, but its market orientation is quite clear.

Somewhat simplified, the chain of nonpayments, as commonly known, forms as follows: the metallurgists owe the miners (for coal), the miners owe the machine builders (for equipment), the machine builders owe the power engineers (for electric power), while the power engineers owe the metallurgists (for metal), the metallurgists... The circle is closed. A general nonpayments amnesty is declared. Enterprises ship goods without payment. When the debts finally completely paralyze the branches, parliament applies pressure on the government, and the National Bank makes an emission. That is followed by inflation, a drop in production, and a

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further impoverishment of the population. What is the solution? Unprofitable, inefficient enterprises should be closed, re-profiled, and so on. How could that be accomplished? By replacing financial debts with property debts which will then create a base for the structural reorganization of industrial production, about which much is being said but practically nothing is being done.

An attempt to resolve the nonpayments problem, by the way, was made in October of last year. Leonid Kuchma published an edict on the issuance and circulation of promissory notes to cover mutual indebtedness of subjects of entrepreneurial activity, but, alas, even the legalization of promissory notes did not resolve the problem. In accordance with our laws it is more complicated to get a loan repaid with a promissory note than to collect any other debt.

The president insists on placing this mechanism into operation. A non-emission offset of mutual indebtedness of enterprises is to be conducted as of 1 June with subsequent liquidation of the balance of indebtedness with promissory notes. Mortgaged property is subject to sale through the appropriate mechanism set up by the decree. A bankruptcy agency will be created for that purpose. By the way, mandatory issuance of promissory notes covering debt for goods shipped without prepayment is planned. It is also planned to hold monthly auctions of government treasury bonds starting in July of this year. They will be distributed at par value among subjects of entrepreneurial activity and the population. What is most important is that the Ministry of Finance and the Main State Tax Inspectorate must file suit to induce bankruptcy of subjects of entrepreneurial activity if they are more than three months delinquent in payments into budget and non-budget funds.

Something else which is important is that it is planned to satisfy the credit indebtedness of enterprises with their shares and re-delegate the management of their debts to commercial banks and other subjects of entrepreneurial activity. It is also of interest that in one of the points of the decree the president has directed preparation of a draft law on elimination of exemptions in the payment of taxes and other mandatory payments, while the social sphere of enterprises, which currently consumes a significant portion of their profits, will be transferred to the books of the local soviets.

That is the extraordinary summary of the three conferences held this month with participation of the government beau monde and leading economists, made by the president in his directive. Rejecting the idea of mutual offsetting and a "saving" credit emission, Kuchma unequivocally demonstrated his attitude toward market transformations. It is now up to the ministries and parliament.

*Gas Joint Venture Tangled in Controversy

954F2398A Kiev KIYEVSKIYE VEDOMOSTI in Russian 19 May 95 p 7

[Article by Svetlana Korotich: "Will Gaztranzit Be Caught in the Wave of Protest?"]

[FBIS Translated Text] The next round of negotiations on the creation of the Russian-Ukrainian Gaztranzit enterprise could take place in the last third of May, as was reported to VEDOMOSTI by informed sources. The last meeting in Kiev on May 10—12 did not produce any particular results. The stumbling block was the valuation of the two underground gas storage areas that are to be transferred to the equity capital of the future venture by the Ukrainians. The discrepancy is a colossal one, some 10—15 times different. Why has this happened?

Specialists explain that both sides have incomplete versions of the valuations. Ukrgazprom is insisting on a foreign method according to which both storage facilities would cost approximately 5—6 billion dollars, with that figure moreover even reduced: Ukraine was initially demanding all of 7—8 billion. But the property of Ukrgazprom itself is valued at just two billion! The Russians, not surprisingly, are firmly insisting on their own value of $400 million and not a cent more.

The idea of the still-uncreated joint venture, at the same time, is being roundly repudiated by the western oblasts of Ukraine. The deputy contingent from the Lviv area regards this as a case of Russian gas expansionism. We have received analogous reports from Ivano-Frankivsk. The people's deputies feel that Ukraine will be deprived of a significant portion of the hard-currency profits from the storage of imported gas, and Ukrgazprom of the opportunity to accumulate gas during the summer. The possibility of selling against debt a portion of the shares of stock in the enterprises of the highly profitable Gazprom RAO [Russian joint-stock company] (the Burshtynskaya GRES [State Regional Electric Power Plant] and the Kaluga concern of Oriana) is regarded as the start of a new colonial policy by their northern neighbor. Appeals to the President and Supreme Soviet of Ukraine contain demands to annul the March Ukrainian-Russian agreement. Recall that Ukrainian gas debt was restructured under that agreement, with an extension of the time frame for the repayment of state credit granted to Ukraine by Russia. Gazprom should also be obtaining Ukrainian property, including through the mechanism for the creation of Gaztranzit. The possibility of a declaration of bankruptcy by Ukraine is also inherent in the

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agreement, and would entail a suspension of Western financial aid.

The March agreement has aroused a storm of dissatisfaction among some of the deputies in the State Duma, who are taking their own parochial view of the matter. The chairman of the Committee on CIS Affairs, Konstantin Zatulin, feels that the agreement harms Russia because the interest on the credit alone has reached $485 million. It is precisely the dissatisfaction of some Russian deputies with the terms of the restructuring of Ukrainian debts that has prompted them to seek the fastest possible adoption of a law that would oblige the government to submit signed international agreements to the Federation Assembly for ratification within two months for a restructuring of the state credit indebtedness granted by Russia. The Russian-Ukrainian agreement, however, was concluded before the adoption of the law and remains in force. It will be interesting to see where the wave of protest raised by the western oblasts of Ukraine heads now.

***Miners Pressure Government, Plan Kiev Meeting**

954F2446A Kiev PRAVDA UKRAINY in Russian 30 May 95 p 1

[Article by A. Yeremenko: "Miners Are Becoming Decisive"]

[FBIS Translated Text] Independent Ukraine has never before seen such unanimity among the miners. The Charter of Mutual Understanding and Joint Action By Trade Unions and the Labor Movement in the Coal Industry was born on 25 May at Uglegorsk. In actuality this means that a constructive force has come about which is capable of forcing top government officials to take priority measures in order to save a fundamental branch of the national economy.

The proposals for improving the health, as already reported in PRAVDA UKRAINY, were worked out by a temporary group created on 11 May at a conference in Krasnyy Luch. The document did not get widespread acceptance and was pigeonholed in the Cabinet of Ministers.

Now, however, the miners intend to attract the attention of the highest officials of the country in a more effective manner. They agreed that as a start, 350 miners from all of Ukraine will meet in Kiev. For three days they are planning to exert some "pressure" and picket offices where the fate of the "black gold" and its extractors is being decided.

The Donbass emissaries are counting on unequivocal support of Leonid Kuchma. Viktor Derzhak, chairman of the Central Committee of the Trade Union of Workers of the Coal Industry, stated that "otherwise under the given circumstances we shall be compelled to use even more effective means than a strike. These are our voices in the plebiscite planned by the president."

There is no need to speak in particular about the significance of such an argument. The position of Donbass has determined the outcome of the struggle for the highest seat in the country on two occasions already. The miners are in a very decisive mood. As they indicate, sympathies in the final analysis will depend on results of the meeting with Leonid Kuchma scheduled on 1 June. Before then members of the temporary working group will discuss pressing problems with Yevgeniy Marchuk, the acting prime minister.

"Enough of feeding miners one-time handouts," is the main thought heard at the conference. There is no alternative to coal. Long-term programs are needed for preservation of the energy, economic, and probably even the political independence of Ukraine, whose guarantor must be the president.

Thus far, however, the miners are encountering opposition. In connection with the forthcoming closing of a number of mines they are troubled by uncertainty regarding tomorrow. Grounds for concern are being generously provided by the government. In particular, great indignation was generated by the purchase of coal in Poland and Russia. Last year $120 million was spent, while this year that amount increased to $200 million. At the same time the government is in no hurry to settle accounts for Ukrainian coal that was shipped and in essence is boycotting the coal that has been mined. The storage facilities are bulging. Some of the mines are already on the verge of a complete stoppage—there is nowhere to pump the coal. Who can explain why the associations have received 80 order cancellations by telephone from state consumers?

The miners are seeking answers in Kiev. Hotel reservations and meals are assured for them. The miners have no intention of violating any laws. For unbiased illumination of the action the organizers have invited practically all of the mass media. Work for the journalists already exists, since miners arrived in the capital on 29 May.

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Armenia

*Former Intelligence Chief Profiled

954K0608A Yerevan LRAGIR in Armenian 25 Apr 95 p 3

[Article by Nairi Badalyan and Emin Yerits'yan: "Davit Shahnazaryan: The Politician With the Appealing Exterior"]

[FBIS Translated Text] *Physical appeal is not the ultimate attribute for politicians in Armenia and is, unfortunately, a rare sight in Armenia's political life. As a rule, our political males never have the time or the means for an "unimportant" activity like grooming themselves. As a result, it is not seldom that one encounters in the hallways of parliament unkempt and unshaven officials with uncombed or overgrown hair and wearing clothes that do not comply with any official etiquette. In this regard, Davit Shahnazaryan is a welcome exception. His always neat diplomatic suit, cultured gestures and harmonious smile create the necessary aura around him and make him a very articulate person. It is perhaps for this reason that women constitute a large percentage of those who have a positive opinion of Shahnazaryan. Interestingly, those who have a positive opinion of him are roughly equal in number to those who have a negative perception (19.45 and 20.43 percent, respectively). On the other hand, the proportion of those who do not know of him is high compared to other political figures profiled in previous issues.*

For a politician, his public perception is very important. In Davit Shahnazaryan's case, segments of the public already hold well-defined opinions about him (those with positive and negative views as mentioned above). As already noted, 34.63 percent [of the respondents of survey] do not know of him. Clearly, how well he is recognized and perceived in the future will largely depend on his performance as the head of the SANS [State Administration for National Security], because a retrospective look at his work makes it evident that this is the highest point of his career so far. However, our subject is his perception so far, which is based on his work as the president's special plenipotentiary. In political circles, Shahnazaryan is commended for his ability to work with the press (an appraisal that has been echoed even in the opposition press).

Shahnazaryan is a member of the president's inner working circle, but there remain blank pages in the mutual relations between himself and the president's other associates. When the correspondent of [Armenian Pannational Movement press organ] HAYK asked him about the president's performance, his answer was unequivocal and laconic: "The president is never wrong." However, that was not a indication of simple obedience or loyalty.

Dissident in APM

It was Shahnazaryan's desire to be righteous and to express his own opinions that led to political and psychological depressions which were the consequence of severing certain personal and political ties.

It was the fifth convention of the APM [Armenian Pannational Movement]. Shahnazaryan emerged from the convention as a politician who could think rationally and act with a plan. In his address to the convention he outlined fundamentally different approaches to working with the opposition and a number of other political issues. The text of his address was published even by [presently banned Armenian Revolutionary Federation press organ] YERKIR. It was during those days that Shahnazaryan was stopped in the street by traffic controllers and charged with not being alert while driving. Many senior-level personalities did not make the slightest attempt to intervene with regard to this incident. That was an indication of the rupture of many of his personal ties and eventually led to his psychological depression. Many circumstances related to that incident remain unclear to this day. In any event, it would be interesting to know, in terms of finding out more about his character, whether he made any attempts to find those traffic controllers and clarify the circumstances of the incident.

Special Envoy

Although Shahnazaryan was shaped as a politician while serving as the deputy leader of the APM, he manifested himself as a member of the president's staff when he was appointed the president's plenipotentiary extraordinaire on special assignments. During that period he focused on his ambassadorial responsibilities which continue to consume a large portion of his time today. It is important to note that his political image was also formed by his work as the president envoy on special assignments and was closely associated with his work related to the settlement of the Karabakh problem. The Karabakh question was then and is now the basic problem of Armenia's foreign policy. Within the circle of Levon Ter Petrosyan, Ashot Manucharyan, Davit Shahnazaryan, Zhirayr Liparityan and Vahagn Sargsyan, the envoy on special assignments was entrusted with the task of articulating and documenting Armenia's official view in numerous fact-finding surveys, meetings and conferences.

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Head of Special Service

The president appraised the work of the SANS after Shahnazaryan became the head of that service and gave it a high rating for achieving success in a short time. In our opinion that appraisal was based not only on the uncovering of "Dro" [the allegedly Dashnak-organized terrorist organization] and the successes scored against the narcotics business, but also the responsibilities that the SANS assumed after Shahnazaryan became its head. The service not only became another power structure next to the ministries of internal affairs and defense, but also turned into an important device in the hands of the president (one with enforcement powers) and was able to protect the state from undesirable transformations by countering the public with force.

Apart from these globally functional responsibilities there were notable changes and developments in the SANS during Shahnazaryan's tenure. The most important of these was the radical personnel changes he undertook when he first took over. He recruited young people with no past experience in the intelligence system and refused any cooperation with the intelligence school that was established by [former KGB chief Marius] Yuzbashyan. Instead, he started his own intelligence training center which, in the opinion of some, is not of adequate quality. In any event, the Armenian SANS has apparently been active in the intelligence domain. Last year there were reports in the Russian press that the former republics of the USSR have stepped up their intelligence activities in Russia, and Armenia was mentioned as one of the most active among them. Just before those reports were published, Russian authorities arrested two young Armenian residents of Moscow on charges of spying for Armenia. It is sad that our SANS suffers such failures—unless those charges were fabricated—but it is also commendable that there are no unimportant missions for Armenia's state security services.

One must not forget that the principal function of special services, including our SANS, must be, as was in the past, the task of counterintelligence at home. Today, ideal conditions have been created in Armenia for foreign intelligence services. Those services can use as assets state employees (many of whom are citizens of foreign countries) who work for salaries that can barely buy a pen and who can give them files containing information about their agencies. The said services can also utilize the numerous and multifarious religious cults as well as the ostensibly philanthropic organizations (especially those that can infiltrate the youth) that have flooded Armenia taking advantage of the country's open-door policy. From this standpoint, the locations of foreign embassies and missions in Yerevan are extremely illogical. The Hraztan Hotel, where most of these missions are quartered has a commanding view of the government summer compound where the leaders of our country live. From the windows of the hotel anyone can observe (and not just observe) any activities occurring in the president's residence without any visual aids. Meanwhile, the American university dominates the area [containing important government offices] with its location, and the U. S. embassy sits on the top of communication systems connecting the presidential staff with the Supreme Council and the foreign ministry, giving it the ability to listen with the simplest technical means to the most privileged conversations of the most senior officials of our state. In these conditions if that embassy takes advantage of its diplomatic immunity and tries to engage in intelligence activities, having much greater financial and technical resources than Armenia's SANS, we may face the question of which of those organizations will be dominant [as published].

Conclusion

Davit Shahnazaryan is a pragmatic political figure rather than a populist personality. A major portion of his work remains behind a veil [of secrecy]. He does not seek opportunities to appear on television screens or newspaper pages, even though indirectly he is always present. On television he appears mostly in the president's entourage in international meetings. Recently, by virtue of his position, he was forced to appear on television and explain the work of SANS in connection with "Dro." However, his reserve is not justified in today's circumstances. Given that a new state is being built in Armenia and that many values—including the people's perception of the work the SANS—need to be appraised with new standards, the need to form a correct perception of Armenia's national security program and the people who implement it requires that Shahnazaryan maintain closer ties with the mass media and that he make more frequent public appearances. He must be a counterintelligence officer in Armenia and an intelligence officer abroad, as is the case with many nations, particularly the Japanese.

Evil Tongues

Evil tongues have said that sometimes Shahnazaryan conducts interrogations himself and that sometimes he oversteps the bounds of legality during those interrogations.

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***Impact of Manucharyan on Political Life Viewed**

954K0609A Yerevan LRAGIR in Armenian 26 Apr 95 p 3

[Article by Hovsep Khurshudyan and Emin Yerits'yan: "Manucharyan Did His Work"]

[FBIS Translated Text] First, who is Ashot Manucharyan as a man? He is articulate and gregarious. He can establish contact with any person or organization easily. He is simple in his contacts. A man who wants to infuse many moral values into our politics, to bring together what is impossible to bring together. A man who knows the mob down its bone marrow—as recent public rallies have proven—and who is able to control it easily and play with its mood, sometimes creating anger and even hatred and sometimes general laughter. In 1988, the people liked his speeches most. It is interesting that some political figures call him the representative of the "Komsomol wing" in the Karabakh Committee. In terms of charisma, Manucharyan is Levon Ter Petrosyan's equal. Both of these politicians have the ability to leave an extraordinary, almost hypnotic, impression on an audience (today most speakers at public rallies try to emulate Manucharyan's oratorial style, syntax and even phrases).

He is a super ideologue. Many political figures who have dealt with him insist that if he believes in any idea then he is prepared to make any sacrifice for the realization of that idea irrespective of whether that sacrifice is his own or the public's.

As a politician, Ashot Manucharyan is one of the best informed in Armenia. Having served as the acting minister of the interior and then the president's chief advisor on national security and thus running the entire security system of the republic, he is very knowledgeable about the republic's internal political life and highly confidential information related to the outside world. He has still not severed his ties completely with the extensive news gathering and reporting organization he founded.

Excerpt from the secret documents of the Dro organization (published in the 21 April issue of HAYASTANI HANRAPETUTYUN):

"One of Ashot Manucharyan's important accomplishments was the founding of the NOYAN TAPAN news agency which he equipped with extensive computer facilities. He has used NOYAN TAPAN both as a means of transmitting information and a vehicle for general communications (just like the AFP or any other directly or indirectly state-owned news agency). Most of NOYAN TAPAN employees are also used, directly or indirectly, to collect 'other information.'"

When Manucharyan was the president's chief advisor, he was the country's second most politically influential man after Ter Petrosyan. He is a consummate expert in political games, complex diplomatic combinatorics and even intrigues. It was thanks to these attributes that he was able to propose to the president solutions for a set of strategically and diplomatically very important problems related to Armenia's foreign policy.

Manucharyan is possibly Armenia's only political figure whose health may be seriously damaged by loyalty. The repressive inclinations of the government have affected his entire political circle for various reasons.

In foreign policy, Manucharyan has adopted a clearly pro-Russian posture which he has declared on many occasions. Even when he was the president's chief advisor, he was said to be the principal representative of the pro-Russian wing in the president's foreign policy team, juxtaposed against Zhirayr Liparityan who represented the pro-West wing of the policy. There have been rumors that this posture—more concretely, his insistence that Armenia rely more on Russia than on the CSCE in the process of settling the Karabakh conflict—was a factor in his resignation (recall that two years after that event the president appointed Liparityan as his chief advisor).

Much has been written about Ashot Manucharyan: about his past, his tenure as the president's chief advisor and the period since he crossed over to the ranks of the opposition. Our objective is not to provide an eclectic description of him as a political figure. We try to appraise Manucharyan the politician in terms of the results of his work.

Manucharyan's work has always been marked by segmentation, including a number of withdrawals from politics and subsequent returns. Recently he returned to the political arena one more time and did his work. Manucharyan's defection to the ranks of the opposition produced a number of changes in Armenia's political life.

He created a new opposition, instilled a certain style and mode of operation in the activities of the opposition and introduced fundamental changes in the rules of the game played out between the government and the opposition. One consequence of this was that, during that period, government leaders faced strong opponents which prompted them to undertake vigorous and constructive work. It was also against this background of the formation of an active "new opposition" that parties like the Armenian Revolutionary Federation and the Communist Party lost their ability to polarize the public and to build expansive political pastures around them.

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The principal consequence of Manucharyan's antigovernment rallies was that he became the chief political factor that blocked the process of supercentralization of government power in the hands of the police organization. Recall the summer of 1994. Although Minister of Internal Affairs Vano Siradeghyan successfully accomplished the mission he was assigned, namely reining in the criminal wave that seriously threatened the state, he could not or did not want to stop the supercentralization of economic and political power in the hands of the police organization within his own ministry. Recall also an anecdote that was widely told at that time: "Levon works for Vano as president." In our opinion that anecdote caused more damage to the president's authority than, say, the much criticized propaganda by the Dashnak Party for many years. Meanwhile rumors of brutalities, illegal taxation and other acts by the police terrified the people. What could a scared and spiritually broken nation accomplish? What state could it be expected to build? Manucharyan, together with the National Democratic Union, was able to relieve that fear to some extent. In our opinion the purpose of those scathing "vulgar" curses directed against the republic's most influential leaders (mostly against Ter Petrosyan and Siradeghyan)—Manucharyan was obviously the founder of the tradition of using such obscenities for political ends—was to solve precisely this problem.

On the other hand, it must also be conceded that with his speeches at public rallies Manucharyan sowed hatred against government authorities among his audience (which constituted a substantial portion of the politically active segment of the people). Although Manucharyan insisted that he was speaking not about the "black book of hatred" but the "white book of justice," the spirit of hatred was always present in most of his speeches. A hatred which, in the absence of any opportunities for relief, creates a sense of frustration. A hatred which is incompatible with the concept of national consensus.

However, in his latest speeches Manucharyan has not expressed this hatred at least on the surface.

Judging from Manucharyan's latest speeches and writings as well as ideas he put forward in his speeches at public rallies last year, it can be presumed that Manucharyan has entered a new phase as a politician, leaving behind his role as an opposition figure (having completed his work among opposition forces) and trying to turn into the principal champion and patron of a certain system of social values which will synthesize liberal public relations with social and legal protection. In truth, this is part of an objective process, and similar processes can be observed in virtually all former countries of the socialist camp.

If we view political centrism as a synthesis of a) political forces of a certain orientation, b) a certain political ideology and c) a certain system of social values, then regardless of the mutual relations between Manucharyan and the government and regardless of whether changes in those relations are natural or just games, it can be said that most individuals who are in government today would like to be the champions of the first two elements while Manucharyan that of the third.

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Latvia

*National Conservative Party Chairman Elected

954K0600A Riga DIENA in Latvian 2 May 95 p 1,12

[Article by Juris Tihonovs: "Seile Elected Latvia's National Independence Movement Chairman: LNIM plans to get into position"]

[FBIS Translated Text] Riga, April 29. Saturday, at Latvia's National Independence Movement (LNIM) Congress of Latvia's National Conservative Party, Saeima Deputy Anna Seile, the only candidate for this position, was unanimously elected party chairman. Selected as her three deputies were Einars Celinskis, LNIM faction leader in the Riga Council, Saeima Deputy Aristids Lambergs, former LNIM chairman, and Riga Councilwoman Baiba Petersone. The Congress also elected A. Seile as LNIM candidate for the position of Chairman of the Sixth Saeima, while, for the position of Prime Minister — Andrejs Krastins.

At the Congress, speeches made by the LNIM leaders and the founders of ideology most often expressed the certainty that the LNIM, together with the Green Party, would not gain entry into the Sixth Saeima as the opposition, but as the ruling party. This was also stressed in his opening speech by one of the party's veterans, Eduards Berklavs. The nation's President, Guntis Ulmanis, in his speech, praised LNIM for starting its activities under Soviet occupation, and for a positive contribution in the formation of more just bills in the Saeima. He observed that LNIM has become one of the leading parties in the preelection battles. At the same time, G. Ulmanis noted that he would like the party to be more active, in a positive manner, in joint Latvian measures, avoiding excessive ambitions. The nation's President also found that LNIM's "schooling" in the municipalities, especially in the Riga Council, has not been easy. Therefore, he hoped the party would continue its work, without anger and prejudice.

Former party chairman, A. Lambergs, observed that LNIM has become a strong party, which, after reregistration, has 2,025 members. He also explained that the short election program will be adopted in June, and that the party's candidate list for the Saeima will be drawn up. LNIM faction leader in the Saeima, Aleksandrs Kirsteins, named national economic development as the main objective for future actions, which, in his opinion, would be the greatest guarantee of national security. He also criticized the behavior of the Minister of Internal Affairs in the *Lainbanka* matter. LNIM candidate for the position of Prime Minister, Saeima Chairman's Fellow Andrejs Krastins, clearly defined LNIM's highest goal — gaining power in the state. As priorities for activities, he mentioned the introduction of Latvian education, and the setting of an exchange rate for the lats, which would be beneficial to the Latvian nation.

A few of the party's members complained during the debate that all is not as bright as the party's leadership depicts in their praises, and, also, that they never mention the deficiencies in the party's activities, whereas the popularity of LNIM is declining among the people, and the party's activities are not aggressive enough.

The Congress also made various changes to the party's program. Such called for the immediate expulsion of military persons of the occupying army, and their family members, who are illegally in this country. The annual number of foreigners eligible for naturalization should be determined on the basis of the natural growth of Latvia's citizenship.

Apparently guided by their experiences in the Saeima, representatives of the movement adopted an amendment to the party's program, which stated that the possibility must be eliminated, within the setting of the Parliament, to form new parties and factions, which did not exist prior to the election, and that the parties must insure their legal right to recall their deputies.

In the area of education, LNIM anticipates realizing its objectives — total withdrawal of support for all Russian speaking schools and state financed pre-school educational institutions, where instruction is not in the Latvian language.

The program also includes objectives to realize the introduction of European standards in agriculture, and to insure that only citizens of the Republic of Latvia can be included as national representatives in the Olympics, and also as representatives of Latvia in European and world championships.

*Draft List of Saeima Election Candidates

954K0600B Riga NEATKARIGA CINA in Latvian 6 May 95 p 3

["Draft List of the 'Latvian Way' Union of Candidates for Deputy in the Sixth Saeima Election"]

[FBIS Translated Text]

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Draft List of the "Latvian Way" Union of Candidates for Deputy in the Sixth Saeima Election

No.	First name, Last name	Place of residence	Year of birth	Nationality	Education	Occupation
1.	Mariss Andersons	Riga	1957	Latvian	highest	Deputy of Fifth Saeima of the Republic of Latvia
2.	Romans Apsitis	Riga	1939	Latvian	highest	Minister of Justice of the Republic of Latvia
3.	Janis Abele	Jelgava	1939	Latvian	highest	Director of the Humanities Institute of the Agricultural University of Latvia
4.	Dzintars Abikis	Riga	1952	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
5.	Janis Adamsons	Riga	1956	Latvian	highest	Minister of Internal Affairs of the Republic of Latvia
6.	Ojars Bekeris	Mazsalaca	1961	Latvian	highest	Chairman of the Municipal Board of Mazsalaca
7.	Indulis Berzins	Riga	1957	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
8.	Valdis Birkavs	Riga	1942	Latvian	highest	Minister of Foreign Affairs of the Republic of Latvia
9.	Inese Birzniece	Riga	1951	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
10.	Janis Bordans	Riga	1967	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
11.	Janis Bunkss	Riga	1953	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
12.	Helmuts Cibulis	Rezekne	1927	Latvian	highest	General Director of the Rezekne Dzirnavnieks Corp.
13.	Imants Daudiss	Riga	1945	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
14.	Peteris Elferts	Riga	1961	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
15.	Aivars Endzins	Riga	1940	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
16.	Maris Gailis	Riga	1951	Latvian	highest	Prime Minister of the Republic of Latvia
17.	Ilmars Geige	Riga	1942	Latvian	midlevel —specialized	Chief of the Department of National Cases in the Ministry of Justice of the Republic of Latvia
18.	Anatolijs Gorbunovs	Riga	1942	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
19.	Maris Graudins	Riga	1953	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
20.	Olegs Hlebnikovs	Preili	1953	Russian	highest	Chairman of the Preili Municipal Council
21.	Edvins Inkens	Riga	1958	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia

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No.	First name, Last name	Place of residence	Year of birth	Nationality	Education	Occupation
22.	Raimonds Jonitis	Riga	1965	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia, State Minister
23.	Lainis Kamaldins	Riga	1967	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
24.	Peteris Keiss	Rezekne	1941	Latvian	midlevel specialized	State Cultural Inspector of Rezekne of the Ministry of Culture of the Republic of Latvia
25.	Marcis Krastins	Riga	1974	Latvian	incomplete highest	Third level student of Political Sciences at the University of Latvia
26.	Uldis Krikis	Riga	1968	Latvia	highest	student in the International Economics Institute, faculty masters program at the University of Latvia, assistant deputy
27.	Girts Kristovskis	Riga	1962	Latvian	highest	student
28.	Vilis Kristopans	Riga	1954	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
29.	Marcis Krumins	Riga	1968	Latvian	highest	consultant to the Latvian Way faction
30.	Gunars Kusins	Riga	1963	Latvian	highest	Head of the Legal Bureau of the Fifth Saeima of the Republic of Latvia
31.	Janis Lagzdins	Riga	1952	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
32.	Karlis Leiskalns	Riga	1951	Latvian	incomplete highest	Deputy of the Fifth Saeima of the Republic of Latvia
33.	Andris Liepins	Riga	1969	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
34.	Karlis Liepins	Riga	1952	Latvian	midlevel	Head of Latvian Way faction bureau
35.	Kristana Libane	Riga	1971	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
36.	Andris Ligotnis	Riga	1959	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
37.	Juris Lorencs	Riga	1959	Latvian	highest	Advisor to the Prime Minister of the Republic of Latvia
38	Gunars Meierovics	Riga	1920	Latvian	incomplete highest	Deputy of the Fifth Saeima of the Republic of Latvia, State Minister
39.	Ainars Melderis	Aluksne	1960	Latvian	midlevel	Chairman of the Aluksne Municipal Council
40.	Ruta Mariasa	Riga	1927	Latvian	midlevel	Deputy of the Fifth Saeima of the Republic of Latvia
41.	Andrejs Pantelejevs	Riga	1961	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia

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No.	First name, Last name	Place of residence	Year of birth	Nationality	Education	Occupation
42.	Olgerts Pavlovskis	Riga	1934	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
43.	Andris Piebalgs	Riga	1957	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
44.	Aija Poce	Riga	1948	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
45.	Rolands Repsa	Riga	1957	Latvian	highest	private businessman
46.	Indra Samite	Riga	1959	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia, State Minister
47.	Antons Seiksts	Riga	1946	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
48.	Anita Sergejeva	Ludza	1941	Latvian	highest	Chairman of the School Board for the Ludza District
49.	Rita Strode	Daugavpils	1955	Latvian	highest	Deputy Chairman of the Daugavpils Municipal Council
50.	Peteris Strubergs	Riga	1945	Latvian	highest	Organizational Secretary of the Latvian Way
51.	Janis Vaivads	Riga	1946	Latvian	highest	Minister of Education and Culture of the Republic of Latvia
52.	Zigurds Vaivods	Riga	1963	Latvian	highest	Assistant to the President of SWH-Riga.
53.	Jevgenijs Vasilievs	Daugavpils	1949	Russian	highest	Chairman of the Board of Alojas Commercial Bank Corp.
54.	Martins Virvis	Riga	1959	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia
55.	Andris Tomasuns	Jelgava	1958	Latvian	highest	Director of the Spidolas School in Jelgava
56.	Maris Zvaigzne	Riga	1957	Latvian	highest	Deputy of the Fifth Saeima of the Republic of Latvia

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